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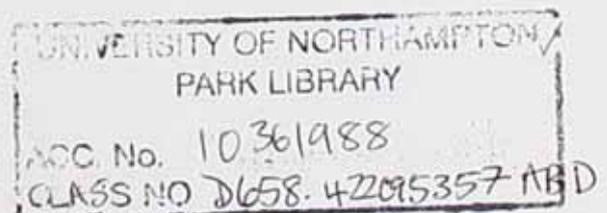
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**An Exploration into factors and Influences towards
Increased Effectiveness of Public Sector Board (PSBs) in Abu
Dhabi**

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Full Title of Thesis

**An Exploration into factors and Influences towards Increased Effectiveness of
Public Sector Board (PSBs) in Abu Dhabi**

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ABSTRACT

The recent financial crisis, not surprisingly, has often been attributed to 'failure in corporate governance'. There is a belief that the resulting public scandal may have been minimized if not entirely prevented if the Boards had acted properly. Both in the developing and developed countries, there is a widespread belief that improved corporate governance mechanisms can lead to effective Board operations. However, Board effectiveness remains an elusive concept and what makes a Board an effective governance mechanism remains a fundamental question. Many studies have been carried out on Directors' capabilities, their contributions to Board and Board effectiveness; however, none have examined these issues within the context of Public Sector Boards (PSBs) in Abu Dhabi- a fast growing developing economy. The present research, a first time study, explores the issues related to Board effectiveness, including Director's capabilities and contribution within four major public sector Boards. Following the tradition of social constructionism, the research adopts an interpretive approach to understand the perceptions and views of the Board members concerning the factors which influence their effectiveness and the effectiveness of the PSBs Boards. Employing an inductive methodology, sixteen cases were selected to generate the relevant qualitative data required for analysis. The thematic analysis led to the emergence of seven major categories of themes, factors, and identification of some 157 'issues', including Directors personal characteristics, Board dynamics, constraints, demands and opportunities, Directors core capabilities, and most important of all the implicit and explicit socio-cultural influences on the behaviour and interactions of the members on the PSBs Boards. Islamic values and beliefs seemed to positively influence the Boards operations through trust, honesty, and responsibility to others and community. The findings of the study, indicates the intricate and complex nature of influences on the Directors' in particular and Boards' effectiveness, as the whole. The findings make a series of contributions to our present knowledge of PSBs operations and the behaviour of the members on the Board by contextualising the principles of corporate governance, and Board effectiveness in Abu Dhabi, public sector. The practical implications are numerous; some could be applied to other Boards outside the public sector domain. They have far reaching implications for policy and practice to facilitate the increased effectiveness of the Directors and the Boards as the whole.

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CHAPTER 1: INTRODUCTION

1.1 RESEARCH BACKGROUND

Following O'Sullivan (2005) the study of corporate governance can be understood as being concerned specifically with the distribution, exercise and implications of corporate control; and thus prioritises such questions as who controls corporate decision-making, the types of decision that are made and the implications of these decisions for different interest groups.

Interest in corporate governance has recently been revitalised, and public consciousness following the financial crisis in 2008 has been heightened – a crisis that some have attributed to failures in corporate governance (Aras and Crowther, 2010). Enron, Tyco, Parmalat and Marconi all provide well known recent examples of corporate governance failures, and it has been argued that if their boards had acted sooner the resulting public scandal may have been minimized if not entirely prevented (Kakabadse et al, 2011). Corporate governance failures are not confined to the western hemisphere – great emphasis was placed on corporate governance reform, specifically targeting board structure following the Asian financial crisis in 1997/1998 (Abdullah, 2004). In the UK, various recommendations for reform have been offered over the years (see for example, the Greenbury Report, 1995; the Hempel Report, 1998; Cadbury, 2002; Higgs, 2005).

The importance of corporate governance policies is clear; they act to determine and constrain the behaviours of boards - thus having implications for the way in which board director's act and in which organisations are governed. This is important, the failures of Enron, WorldCom and others in the US have been blamed on un-wanted director behaviours, as the CEO and other senior managers were able to dominate the board, they had control over organisational

strategy, and the divulgence of information to stakeholders, and so they were able to perpetrate their frauds without detection (Ezzamel and Watson, 2005). The implication is that there is widespread belief that corporate governance mechanisms can lead to effective board operation.

However, it is not clear that boards necessarily make use of codes of best practice, or even that a prescriptive approach will yield desirable results. A study of Irish technology firms, conducted by O'Regan et al (2005) provided quantitative evidence from 88 Irish Chief Financial Officers (CFO) on a range of topics concerning governance practice and the role of directors. The study found that overall CFOs were satisfied that their companies followed best practice, but did not believe that their respective boards had actually been briefed on what best practice amounts to. That board performance can be increased by the re-examination of governance standards and protocols is only one thesis and it has been argued that further attention to corporate governance protocols and practice will only serve to increase administrative stipulation (Higgs, 2003; Wearing, 2005), and show little benefit as the cost of monitoring will overtake the benefits of improved performance especially as the capabilities of directors remain the same (Acemorglu, 2004). The researcher, based on his personal experience of PSBs concurs with his view and argues that in the case of Abu Dhabi, attention paid to corporate governance protocol and practices is may not sufficient thus more needs to be done to identify and improve the capability of the directors.

A second approach is to focus on improving the capabilities of directors, as they are crucially placed and have a significant impact on firm performance (Sonnenfeld, 2002). It has been posited that in practice "directorial competence and board effectiveness are interrelated" (Coulson-Thomas, 1994: 34) and it is argued that competence requirements for directors stem

from what is necessary to improve the operation of the board and what is needed to complement the attributes of colleagues, and that board effectiveness can be affected by the strengths and weaknesses of individual members perceptions of each other and the board as a whole. Effective boards, it has been argued, cannot exist without effective directors (Leblanc and Gillies, 2003). As it will become clear below, the underlying assumptions of the present research are firmly embedded in this approach. Indeed, effectiveness of the Abu Dhabi PSBs cannot be achieved unless attention is paid to effectiveness of the directors.

1.1.1 Rationale for the study

Board failures are not confined to the developed world; studies of board performance in fast growing developing economies also reveal a deficit between desired board contribution and the reality of director behaviour (Oseichuk et al., 2009). Yet, while board failure can be appreciated in hindsight without difficulty, board effectiveness remains an elusive concept (Garratt, 2003; McIntyre et al., 2007) and what makes a board an effective governance mechanism remains a fundamental question (Nicholson and Kiel, 2004).

There are two broad concerns for board performance: the call for re-examination of governance standards and protocols, and the enhancement of board director capabilities. The proponents of the former reform have suggested that while governance foundations of corporations go unexamined, efforts to enhance director capabilities will be of little benefit (Bogle, 2005). Yet, some argue that further attention to corporate governance protocols and practice will increase administrative stipulation (Higgs, 2003; Wearing, 2005), and show little benefit as the cost of monitoring will overtake the benefits of improved performance especially as the capabilities of directors remain the same (Acemorglu, 2004).

Alternatively, a call for a realistic approach asserts that it is the dynamic interaction of the board which requires attention rather than the myth of sole effectiveness of the leadership (Kakabadse and Kakabadse, 2008). The contrasting view strongly suggests that the inappropriate and unwelcome director behaviour ought to be the focus of attention (Heidrick and Struggles, 2010). Thus, the latter asserts that in order to tackle the problem of poor board performance, directors need to re-examine their role and contribution, and acquire the skills and competencies needed to perform to exemplary standards (O'Higgins, 2009). Although numerous scholars have examined and proposed desired qualities and competencies for board directors (for example, Ingley and Van der Walt, 2003; Aguilera, 2005; Roberts et al., 2005) and many have focussed on determining what necessary director contributions and capabilities may be (for a review see Petrovic, 2008), none have examined the issue within the context of Public Sector Boards (PSBs) in Abu Dhabi. Observations made by the researcher revealed that the consideration of the concept of the role, role taking and particularly role making is of the utmost importance for understanding the behaviour of the directors on the board.

The position held by most writers who are inclined towards structuralism and given role as opposed to the reality of role taking and role making cannot provide the basis for a meaningful understanding of the board members behaviour. The board dynamics are very much influenced by the nature of interactions between the members. Having said that the author also recognised that being concerned with the perception of the board members alone is not sufficient. The contextual factors especially the socio-economic factors do effect the perception and understanding, and finally the judgement of the members. Thus, the assumptions that all boards are the same and operate in the same way are erroneous and indeed, first hand observations of members of many boards confirmed the inherent

differences amongst them. As contextual factors change so do the behaviours which are adopted by the members. However, much of this scholarly debate is Western-centric and may not be appropriate given the dominant contextual socio-cultural values and practices of the Islamic world (Sameh, 2011). To answer the question how boards operate, especially public sector boards in Abu Dhabi, has been the concern of the author. As stated earlier, in order to achieve this aim the researcher intends to examine the perceptions of the board members in order to identify the factors that influence their effectiveness as the whole. Understanding the effectiveness of members and the PSBs will enable the acceleration of the process of economic growth which is another reason for choosing the present study.

1.2 BOARD EFFECTIVENESS AND RELATED LITERATURE

The literature review (see Chapter 2) contains a critical review of the literature relevant to the present work. The related literature is comprised of five main areas that cover separate but interrelated topics, namely, (i) role and role theory, (ii) perspectives of corporate governance (iii) the role theory of the board, (iv) board effectiveness, and (v) board dynamics and director capabilities necessary for increasing board effectiveness.

1.2.1 Role and role theory

Understanding board effectiveness is inextricably linked to board members behaviour and actions and how they negotiate and manage the realities of the board. Therefore, it would not be an exaggeration to claim that the review of the relevant literature will remain incomplete if some of the ambiguities surrounding the use of the term 'role' are not dealt with. This is particularly crucial when the intention is to understand the behaviour of the board members and their effectiveness. The 'role theory' as a theoretical perspective distinguishes between the different concepts of 'role' from a sociological and organisational point of view (Burrell

and Morgan, 1979; Rodham, 2000). Therefore, attempts have been made to demystify the concepts associated with 'role' (Mullin, 2002; Shivers-Blackwell, 2004), such as 'role set', 'role relationships', 'role expectations', 'role negotiation', 'role making and role taking'; and to assess their implications for the present research. The position arrived at, based on the following analysis, is that of 'integrative theory' which acknowledges the dynamics and interactions of both the local and external environments (structure). The role of the board members as proactive, capable and influencing role makers (Kakabadse and Kakabadse, 1999) for negotiating the constraints and demands of their role (Stewart, 1994) will be the concern of this study. It is therefore, necessary to reiterate that the fundamental assumptions which underlie the present study are firmly grounded in the interactionism perspective. The role taken or made by the board members undoubtedly influences the capabilities and competences required for executing the task in hand. As it will be demonstrated, the findings of the research also point out to this issue. This forms the basis for understanding board members and their required capabilities for being effective.

1.2.2 Perspectives of Corporate Governance

Another indispensable aspect to the study of boards, board effectiveness and its members is that of 'corporate governance'. Like 'role theory' the chosen or favoured position of the writers in a paradigm(s) directs the attention to a particular perspective, hence the differences in points of view (Barrull and Morgan, 1997), corporate governance is no exception.

There are multiple perspectives of corporate governance, including agency theory, stewardship theory, managerial hegemony and stakeholder theory (Cornforth, 2004), and an understanding of these perspectives is vital as what is to be considered *effective* corporate governance is likely to follow from the perspective that one takes (Ardalan, 2007).

Agency theory is the dominant perspective within the corporate governance literature (Cornforth, 2004), and is concerned with the agent-principal relationship. The principal are the owners of the firm who divest powers to the agent, the firms' managers, who control the firms' business operations (Eisendhart, 1989). Jensen (1983) posits that while principal and agent are theoretically in partnership their interests can in practice often diverge with the agent pursuing self-interest to the detriment of the principal. The solution offered by agency theorists is that mechanisms should be prescribed that limit the ability of the agent to act in a way that is detrimental to the interests of the principal (Jensen, 1983). This entails the board undertaking a role which involves monitoring and controlling the activities of the firm (Keasey et al, 1997). Yet, there will always be the possibility of undesirable action on the part of the agent; as Hart (1995) highlights it is impossible to create contractual obligations that cover all eventualities. The agency theory particularly applies to the board members behaviour in Abu Dhabi PSBs. Here the performance of the Board as the whole and the behaviour of the members play an important part in the relationship between principle and the role taken/made by agent. This becomes clear as the perceptions of the members and their views are explored in detailed.

By contrast, *stewardship theory* argues that the board of directors, shareholders and the managers within firms operate in partnership (Pound, 1995); this perspective is grounded in the human relations tradition (Hung, 1998) and posits that the interests of management are intertwined with those of the firm (Lam and Lee, 2008). Managers are viewed as good stewards of the company, being inherently trustworthy, and motivated by the need to achieve a sense of satisfaction from the work that they do (Donaldson, 1990). Following from this perspective is the belief that boards should take an active role in the running of the firm (Hung, 1998) and thus board members should be recruited on the basis of their expertise and

experience (Cornforth, 2004). The researcher also believes that the experience and expertise that board members bring with them to board is an important factor in their effectiveness. Thus the issues of expertise and experience have been taken into consideration in the present research.

The third perspective, *managerial hegemony* dates back to the work of Berle and Means (1932) who argue that as firms grow, shareholders become diverse, and the power of large shareholders thus becomes reduced. Such a situation is said to result in directors losing control of the firm, with the day to day and significant operations being carried out by corporate management with the board acting merely as a *rubber-stamp* on the actions of management (Cornforth, 2004), resulting in a passive board where directors have little influence (Okpara, 2011). It follows from this perspective that the role of the board is minimal. In the case of the present research, as will be demonstrated in later chapters, the PSBs are proactive and they certainly do not act as a rubber-stamp on the actions of the management. Having said that, there is a need for close cooperation between management and the board, especially between chair and the CEO for the correct and efficient conduct of the board.

The final perspective, *stakeholder theory*, takes a wider view of the firm to consider not just managers, directors and shareholders but also other key stakeholders (Hung, 1998). Following Freeman (1984) stakeholders in a firm can be defined as any individual or group of individuals that can affect or are affected by the organisation and its operation. This perspective of corporate governance has been praised as being morally laudable as it requires that the board take into account the needs of more than just shareholders (Donaldson and Peterson, 1995). Further, this perspective provides the basis for a mode of corporate

governance often found in the public sector (Cornforth, 2004) including PSBs in Abu Dhabi where different stake-holder groups exist and profit maximisation is not (if at all) the primary objective of the firm (Rose and Lawton, 1998).

While each perspective has its merits and detractions (see Chapter 2) what is of fundamental importance is what is made clear by this brief exploration of the topic: that what is to be considered *effective* corporate governance will depend on the perspective of the corporate governance adopted.

The present work adopts a broadly 'interpretivist' stand and more specifically "Realist" approach and following Ardalan (2007), views corporate governance principles as being largely pluralistic; that is there are no universal corporate governance principles that cover all societies, cultures or corporations. Rather, corporate governance principles are to be viewed as historically and contextually based, determined and continuously re-determined by the attitudes, values and behaviour of relevant social actors (Silverman, 2005). Indeed, the present research aims to contextualise the corporate governance by paying attention to influences emanating from individual, organisational and external factors such as culture, education and religion. As will be demonstrated in debates in chapter on methodology the position of realism adopted for this study allows to combine both interpretation of the members as well as the organisational, social-economic and cultural factors which influences the board members and its operations.

1.2.3 Board Effectiveness

The major challenge in studying board effectiveness is determining precisely how board effectiveness is to be defined and measured (Herman et al, 1997). The issue has received

much attention in the corporate governance literature (Schmidt and Brauer, 2006) and is still divisive (Petrovic, 2008). It is clear *prima facie* that this also poses problems for practitioners – if it is unclear what board effectiveness amounts to, then efforts to increase board effectiveness may miss the mark entirely or fall short.

The review of the literature reveals two broad approaches to conceptualising board performance, the first takes the firms' financial performance as a proxy for board effectiveness (for examples see, Vafeas, 1999; Abdullah, 2004; Anderson et al, 2004; McIntyre, 2008). Under the widely held assumption that effective corporate governance is likely to increase financial performance, this approach may seem favourable when examining private sector firms. However, when considering public sector firms whose primary objective is not profit maximisation and whose goals are likely to be varied and vague (Rose and Lawton, 1998) the use of any performance measure is likely to be an untenable proxy for performance. This follows from the recognition that the objectives of the public sector are often set by politicians, and are vague, such as "raising educational standards" (Rose and Lawton, 1999: 81), resulting in a tendency to merely measure that which *is* measurable. Thus, the second approach, which is the approach adopted in the present work, is to evaluate the views of stakeholders in a firm and ask them to provide the evaluation of board effectiveness (see for example, Bradshaw et al, 1992; Herman et al, 1997). This approach is rooted in the social constructionist paradigm, which holds that there is no real board, board effectiveness, or board performance but rather a multitude of perceptions of the board, its effectiveness and performance that are held by stakeholders (Herman et al, 1997). Such an approach is especially suitable when examining the public sector as the board is expected to manage the firm to meet the needs of a variety of stakeholders (Rose and Lawton, 1998).

Empirical research on the antecedents of board effectiveness fall into two broad streams, one examines easy to observe and measure factors such as board structure, composition and diversity, while the other focuses on factors which are harder to observe such as board dynamics (Sherwin, 2003). With respect to the former stream, the empirical findings are mixed.

Studies into CEO duality on boards (where the individual occupying the role of CEO also occupies the role of Chairman) reveal mixed findings. Following from the agency perspective the separation of these roles is theoretically beneficial, as it ensures that management do not have too much control over the selection of board members and the monitoring of the company, and retains the scope to enable the boards to challenge the actions of management (Abdullah, 2004). By contrast those who favour the stewardship theory may argue in favour of duality – as the trustworthiness of managers becomes a non-issue (Donaldson, 1990). However, Abdullah's (2004) study of 1000 non-financial firms on the Kuala Lumpur Stock Exchange, of which 80% adopted a non-dual leadership structure found no impact on performance. Lam and Lee (2008) found that CEO duality impacted financial performance in family-owned firms but not in non-family owned firms in their study of 128 companies listed on the Hong Kong Stock Exchange in 2003. Perhaps, as Brickley et al (1997) suggests, it is likely that CEO duality and non-duality can have both positive and negative effects.

Research on board composition tends to focus on the ratio of executive directors (EDs) to non-executive directors (NEDs). While there is strong theoretical support for the view that boards with greater numbers of NEDs are likely to be more effective - a view that is evident in many reform recommendations (see for example, Cadbury Report, 1992; Higgs, 2003) where the empirical results are mixed. For example, a study conducted by Hossain et al

(2002) in New Zealand finds that outside Directors are important in increasing firm performance, as does a study by Pearce II and Zahra (1991) which shows that boards with greater numbers of outside directors have better financial performance than those with fewer. However, other studies have found that a higher number of NEDs has no significant impact, for example Hermalin and Weisbach (2003) found that outside directors have no significant impact on firm performance and Abdullah's (2004) study reveals that board independence has no effect on firm performance.

As with the other antecedents discussed the empirical evidence for the impact of board diversity on board effectiveness is mixed. The issue of board diversity tends to surround the degree of homogeneity or heterogeneity of the board, taking into account such factors as (age, gender, tenure, educational background). This stream of corporate governance research can be traced back to Hambrick and Mason's (1984) seminal work that proposed the "upper echelon theory" which posits that it is only a few managers at the top of organisations – the dominant coalition (see, Child, 1972; Cyert and March, 1983) that have the most influence over decision making and organisational performance. Empirical evidence shows that heterogeneity is not associated with higher performance in the long term but can lead to increased performance in the short term (see for example, McIntyre et al, 2008; Boerner et al, 2011).

The review of this stream of the literature reveals a lack of consensus as to the relationship between board structure, composition, diversity and board effectiveness. Thus, for the purpose of the present research, it is contended that since board directors are in a crucial position to contribute to board effectiveness (Coulson-Thomas, 1994; Sonnefeld, 2002) the more fruitful direction for research into board effectiveness is to focus on director capability

and contribution. As will be demonstrated one of the main findings of the present research firmly points to the need for improving the capabilities of the board members in order to increase their effectiveness as members of the PSBs in Abu Dhabi.

1.2.4 Board Dynamics and Director Capabilities

The strand of literature that reviews board director capability takes the view, either implicitly or explicitly, that the board of directors can be as understood as any other small social group within organisations (see for example, Conger et al, 1998; Leblanc and Gillies, 2003; Petrovic, 2008) and are thus susceptible to, and influenced by those factors that affect such groups. Theorists that favour this position argue that what makes boards effective is how directors act as a part of this social grouping (Leblanc, 2001; Pye and Pettigrew, 2005). The central argument is that, it is not possible to have an effective board-without effective directors (Leblanc and Gillies, 2003).

Issues stemming from group dynamics that can affect director contribution and behaviour include dealing with board culture, which following Schein (1972) is understood as the basic beliefs, values and assumptions shared by a group that result in a pattern of behavioural norms. As Jensen (1993) notes when the emphasis within a boardroom is on politeness and courtesy at the expense of honesty, the result can be a failure in board operation. Related issues are group-think, whereby in the attempt to avoid conflict, proffered decisions are not criticized (Janis, 1972) and alternatively the conflict that may arise from diversity of views is of critical importance when considering the board of directors. As numerous authors highlight it is important that directors are able to act independently (Jensen et al, 1993; Conger et al, 1998; Turnbull, 2000; Roberts et al, 2005) especially when undertaking a monitoring or control function. When acting independently individuals may subvert the

norms of their social group, and in such instances conflict is the likely result (Tuckman, 1965) and such individuals may be ostracized or face other social repercussions (Goffman, 1959; Sherif, 1963). Yet perspectives on conflict vary (Mullins, 2007) and conflict can be seen as positive, especially when it leads to the examination of different perspectives and viewpoints (Renton, 1999; DTI, 2004, Petrovic, 2008) and it can also be managed (Thomas, 1976; Hatch, 1997; Robbins, 1998). An issue closely related to conflict, is the need to manage trust relationships and impressions amongst board members (Westphal, 1991); trust has been found to play a large part in board room dynamics (Roberts et al, 2005); and helps to facilitate open communication between directors and a willingness to share concerns (Westphal and Bednar, 2005). In addition, Sherwin (2003) highlights the importance of directors being perceived as professional by their colleagues, an aspect of cognition-based trust (McAllister, 1995).

The review of the literature on board dynamics and necessary director capabilities revealed that the following capabilities are required for an effective director: having sufficient motivation to undertake the role (Conger et al, 1998; Sherwin, 2003; Roberts et al, 2005); have sufficient time to perform their duties (Conger et al, 1998; Keasey and Hudson, 2002); manage conflict (Petrovic, 2008); act independently (Jensen et al, 1993; Conger et al, 1998; Turnbull, 2000; Roberts et al, 2005); foster trust and a perception of professionalism (Westphal, 1991; Sherwin, 2003; Roberts et al, 2005; Westphal and Bednar, 2005); have the requisite skills and experience (Barrick et al, 1998; Conger et al, 1998; Cornforth, 2001; Leblanc and Gillies, 2003; Taylor, 2004; O'Higgins, 2009); have strategic awareness (Coulson-Thomas, 1991; McNulty and Pettigrew, 1999; Nadler, 2004; Ezzamel and Watson, 2005; Pye and Pettigrew, 2005) and have effective communication skills (Kakabadse and Kakabadse, 2001; Sherwin, 2003; Nadler, 2004; House, 2005). Based on this review, an

exploratory framework detailing the necessary director capabilities for increasing board effectiveness has been constructed (see Figure 2.1). The researcher also believes that PSBs in Abu Dhabi are no exception to the above findings. Thus, in the present research attempts have been made to ensure that the research can capture the required capabilities by the board members.

The following sections detail the aims, objectives, research questions and the methodological approach taken in the completion of the present research.

1.3 RESEARCH AIM

Abu Dhabi like many other countries is facing new challenges especially in the face of today's business climate. The public sector of Abu Dhabi is increasingly playing a critical role to meet these challenges, however; there is a need for sufficient effectiveness in order to be able to continue playing its part in maintaining and developing the expected standards. In today's ever changing socio-economic environment in the region public sector organisations are taking the leading role to match and even surpass the private sector organisations. Public sector organisations armed with sophisticated boards and decision making processes to a large extent determine the wellbeing of the economy. Since the performance of directors significantly impacts the effectiveness of the board, there is need for an in-depth investigation into what constitutes directors' effectiveness.

In order to meet the challenges faced by PSBs in Abu Dhabi, the aim of the present research is to explore the various influences and contributions as perceived by board directors for the effectiveness of PSBs, in context of the organisational, socio-economical and cultural realities of Abu Dhabi, UAE. This provides both the direction as well as flexibility to explore the perception of the members without limiting the scope of the investigation. Hence, the

proposed methodology within the present research (Baser and Morgan's, 2003; Kakabadse and Kakabadse, 2011)

1.3.1 Research aim, questions and objectives

In order to better understand the methodological choices made for the present study, it is important to reiterate the main aims and research questions which this study intends to answer. Since the capability of directors is one of the main contributing factors which significantly impact the effectiveness of the board, there is a need for an in-depth investigation into what constitutes board effectiveness. This provides both the direction as well as flexibility to explore the perception of the members without limiting the scope of the investigation. The aim of the present research is to explore the factors and influences that contribute to the increase the effectiveness of PSBs. It encompassed the exploration of the various factors and contributions as perceived by board directors, including their own capability requirements for the board effectiveness, in context of the organisational, socio-economic and cultural realities of Abu Dhabi, UAE.

1.3.1.1 Research Questions

Thus the main research question is;

What factors and influences contribute to the effectiveness of the board?

The following sub questions could be of help to answer the above main question.

- What are the existing views and perspectives on board effectiveness and directors capabilities?
- Do the personal characteristics of the board members influence their performance?
- How do dynamics of the board members interaction influence the board effectiveness?

- What are the present demands, constraints and availability of choices that affect the performance of directors on PSBs?
- What are the board of director's capabilities and their effect on board effectiveness?
- Can these findings provide a basis (or not) for enhancing the capability of board members and effectiveness of the PSBs boards within the Abu Dhabi context?

1.3.1.2 Research Objectives

- To review the literature concerning board effectiveness and director capability
- To understand the role and responsibilities of the members and processes/activities of the board and their effects on the board effectiveness
- To identify the present demands, constraints and availability of choices that affect the performance of directors on PSBs
- To provide a research based conceptual model to formulate training and development policies and procedures which meet the Abu Dhabi board members needs for increased effectiveness.
- To explore the personal, organisational, and contextual (socio-economic, traditional and cultural) factors which affect the effectiveness of the members and the board as the whole

1.4 METHODOLOGY

It is contended that the most common and useful purposes of the social science research are *exploration, description and explanation* (Johnson and Christensen, 2008). Whilst exploration satisfies the curiosity of the researcher (Babbie and Benaquisto, 2002) the descriptive attributes aim to describe the characteristics of a phenomenon, situations and events which have been observed by the researcher during the course of study (Johnson and

Christensen, 2008). The qualitative studies, including the present research, by and large, aim primarily at description. The explanatory studies seek an answer to the question 'why' a phenomenon operates as it does (Babbie and Benaquisto, 2002); and evaluation studies assess the effect of a certain action, program or policy (Kervin, 1992).

The nature of the present study (the research question) is primarily exploratory (Hussey and Hussey, 1997), and to a certain extent it is at the same time descriptive because it is aiming to find out what factors, influences, and components are behind the effectiveness of the board members. However, the issues of board effectiveness have never been explored in the public sector in Abu Dhabi, UAE hence the use of explanatory research which is less structured and primarily relies on interviews and case studies (Hussey and Hussey, 1997; Robson, 2002).

The choice of methodology is determined by the underlying assumptions concerning four main research concepts. These include *axiology*, the role of values in enquiry (biased vs. unbiased), *ontology* (the nature of reality), *epistemology* (the relationship of the knower to the known) and *methodology* (the best means to arrive at knowledge about the World). This, method can be seen as individual techniques for data collection and analysis (Blaikie, 1993). Epistemology concerns the nature of knowledge and how to come to know the "reality" (Healy and Perry, 2000) But it is the ontological perspectives which shapes the epistemology beliefs in terms of how knowledge of reality develops (Blaikie, 2000), both are influenced by axiological and methodological assumptions (concerning the overall research process) (Johnson and Duberley, 2000). The exponents of the 'objectivistim' assume that the essence of social phenomena exists independent of our perception. The subjectivists on the other hand assume that reality exists only in name or is a product of the mind, thus, forming the opposition to positivist stand (Bryman, 2000; Burrell and Morgan, 1979). Many researchers

believe that social reality is the product of a process involving a continuous series of subjective and objective moments (Giddens, 2004). They maintain that duality of structure in terms of how social structures are both constituted by 'human agency', and yet at the same time are the very medium of this constitution (Giddens, 1979; Blakie, 2001; Kasperson, 2000; Bryant and Bell, 2007). This is particularly important because research methods cannot be considered in isolation from influencing factors such as dominant cultural values and institutions such as religion. In the case of the present research, the culture of Abu Dhabi and the influence of Islamic values, undoubtedly affect the way board directors of PSBs describe the reality as they perceive it (Silverman, 1970; Kamoche, 2001).

The positivists therefore seek patterns and regularities of the social world thus treating the social reality as hard and concrete, similar to natural sciences (Remenyi *et al.*, 1998: 32) hence the use of quantitative methods (observation) and statistical analysis (Saunders *et al.*, 2000; Denscombe, 2003). In contrast, the phenomenologist's approach to social research emphasizes on subjectivity, description, interpretation and is concerned with "people's perceptions or meanings, attitudes and beliefs, feeling and emotions" (Denscombe, 2003: 96). Whilst the former is referred to as 'deductive' in nature and mainly concerned with quantitative analysis, the latter is associated with an 'inductive' approach characterised by the use of methods which yield qualitative data.

1.4.1 Realism the choice of present study

Ackroyd and Hughes (1982) aptly assert that there is a need for consideration of suitability, relevance to the nature of research, and availability and adequacy of data. The present research aims to understand board effectiveness assuming that the events are created by the

board members, and that it is essential to explore the meaning that participants on the board attach to their behaviours and action (Silverman, 1970; Analoui, 1999). Therefore, inductive research seems to meet the purpose of the current research because it conceives a social world as being constructed by the actor's interpretations, motives, and intentions (Blaikie, 1993; Easterby-Smith et al., 2002). The challenging issue faced by the researcher is that the existence of an independent single reality is not necessarily inconsistent with the notion of an individual perception of this reality (Blaike, 2000). The board exists as a part of an organisation entity and its formation is subject to specific conditions which are laid down in detail in the organisational and legislative rule books. The board members, who contribute to board effectiveness by their participation, also have a perception of the reality of board effectiveness, which is the one reported to the researcher. Therefore the researcher felt that he ought to take into consideration both the reality of the board, as a part of the structure (contextual factors outside the individuals control), and as the values attributed to a particular social reality simultaneously hence the employment of "realism" (Bhaskar, 1978; Healy and Perry, 2000). The effectiveness of PSBs in Abu Dhabi cannot be considered in isolation from the global economic realities of modern life or in exclusion of the specific contexts in which the board's interactions take place (Robson, 2002; Silverman, 2005).

The strategy adopted therefore is that of inductive research influenced by social constructs amongst the board members. The researcher in the position of realist, felt that there is a need to discover the structures and potential mechanisms which underlie the board phenomenon first, (Blaikie, 2000) before exploring the behaviour of the directors (Agency) on the board meetings and then explaining them by pointing to the social meanings which help their construction (Robson, 2002). It was felt that the conditions on which PSBs are based are of paramount importance and need to be understood.

1.4.2 Research design

Whilst there are a number of methods available to researchers, ultimately the choice of a method is firmly informed by the criteria of 'fit for purpose' referred to as 'relevance', and 'suitability' (Achroyd and Hughes, 1993), and 'feasibility', 'coverage', 'accuracy', 'objectivity' and 'ethics' (Denscombe, 2003). The researcher felt that case study, as the prime method for generating relevant and suitable data is the most suitable method for the present research project simply because it is a particularly useful strategy for studying processes in companies (organisational behaviour) and for explanatory purposes (Robson, 1993; Gummesson, 2000; Bryman and Bell, 2003). The main method of data generation is the use of semi-structured interviews. However, the use of secondary data and the involvement of the researcher have to be triangulated in the process. This is in line with the assumptions which underpin the "realism paradigm" that sees interaction between researcher and the research as necessary conditions for gaining a better understanding of the phenomenon under investigation (Manning, 1997; Guba and Lincoln, 1994; Healy and Perry, 2000; Bisman, 2002).

There is an ongoing debate in the literature concerning the use of multiple case studies. How many cases are required in order to build theory and generalise the results? It is suggested that the minimum number of case studies required is four (Eisenhardt, 1989: 546). It is argued that any number fewer than four may not meet the above criteria. The maximum number suggested ranges from twelve to fifteen (Miles and Huberman, 1994; Rahim and Baksh, 2003). However, Hedges (1985) sets an upper limit of twelve cases. In practice however, the decision made by the researcher ought to be based on the realities of the context and related issues such as access, quality and relevance to the subject of the study (Patton, 1990; Perry, 1998; De Weerd-Nedderhof, 2001). In the case of the present research four major public sector organisations were randomly selected and four directors (each treated as

participant) including Chair, CEO, ED and Non-ED were targeted. In practice the researcher continued conducting interviews with participants (adding cases-organisation) until it was ensured that “theoretical saturation” was reached. After 12 interviews (from three cases) no more new ‘themes’ were identifiable (Eisenhardt, 1989). Having said this, the researcher paid particular attention to the four major organisation samples from which directors have been selected (Hambrick and Finkelstein, 1987; Welch, et al., 2002). These cases included;

- Abu Dhabi Ports Company (ADPC)
- Khalifa Fund to Support and Develop Small and Medium Enterprises (Khalifa Fund)
- National Bank of Abu Dhabi (NBAD)
- National Drilling Company of Abu Dhabi (NDCA)

Prior to conducting the interviews the themes identified as being the main contributing factors to the board effectiveness; included personal characteristics, interpersonal communication, constraining factors, individual capabilities and competencies, motivation, prior experiences and the academic attainment of the board members. The analysis process led to the drawing of conclusions, albeit in a very limited way (Ramsay, 1998).

Since the pilot study formed an integral part of the process of data collection, the first five interviews were used as a sample for testing the questions planned for the semi structured interviews. The researcher did not face any difficulties in accessing the board members. His credibility as a senior member of a public sector organisation and his access to boards as a member and chair person (Hertz and Imber, 1993; Silverman, 2005) eased the process of access, together with the firsthand internal knowledge of the researcher which facilitated the process of collecting qualitative data.

1.4.3 Methods for data analysis

In order to analyse the data in accordance with the research design, the interviews will first be transcribed and following this a thematic analysis of the data will be conducted (Miles and Huberman, 1994). This will improve the process of selective data reduction into categories that are meaningful and indicative of the research question (Vallaster and Koll, 2002; Rowley, 2002; Richards, 2009). As expected from the analysis of the individual cases a number of themes and sub-themes emerged that were integral to the research aim and objectives.

Basically the analysis of the qualitative data comprised of: Data reduction (selecting); Data Display (organised compressed assembly of data); and, Verification and drawing conclusions (Eisenhardt, 1989; Miles and Huberman, 1994). These have been made possible by using 'coding' and 'memoing'. Whilst coding refers to labelling and identification, memoing is the writing about the codes and what they stand for. It is argued that these methods will enable the researcher to begin the task of drawing conclusions. Although the software Nvivo can achieve the above purpose (Bazeley, 2007; Vallaster and Koll, 2002), it was decided that because of explanatory nature of the research, the data was to be processed manually rather than using software and computation. This was based on the informed decision that the cases collected in conjunction with the data concerning the contextual background constituted the primary 'raw' data for analysis (Voss et al., 2002). This ensured that valuable observations made and the impressions formed by being involved in the board dynamics were included (Huberman, 1994; Glaser and Strauss, 1967; Miles and Huberman, 1994; Trace, 2001).

1.4.4 Ethics of research

The most important ethical principle to be considered when conducting research is that the researcher should not cause harm to participants or others (Saunders, 2007). Predominantly the risk stems from the possibility that the thoughts, perceptions, and details of incidents included within the report may be perceived negatively by others, hence reflecting poorly on both the participants and their organisations. Thus, following Miller and Brewer (2003) two key ethical considerations will be observed: informed consent and anonymity (Appendix Three). To ensure that participants are able to provide informed consent, as advised by numerous scholars (Bryman and Bell, 2011; Hussey and Hussey, 1997), participants will be provided with an information sheet that outlines the projects aims, details of what their participation will entail, and the intended outcomes of the project. However, cultural norms and procedures must be respected and hence permission in written form will not be requested. To ensure anonymity, the names of participants and their organisation will be obscured, as will any other information that may pertain to their identification via a process of manipulation (Richards, 2009).

In addition, this study will be conducted in line with section 3.2 of the University of Northampton's ethical code ² (Appendix Three) as well as other scholarly guidelines as appropriate (Fritzsche, 1997; Ackroyd and Hughes, 1981; Miles and Huberman, 1994).

1.5 ORGANISATION OF THESIS

The remainder of the thesis is structured as follows:

²<http://www2.northampton.ac.uk/knowledgeexchange/homepage/newprojectsoffice/ethicscode>

Chapter 2 presents a review of the relevant literature. First a review of the literature on role and role theory, then corporate governance and the role of board are presented and it is argued that while prescriptions of corporate governance mechanisms may have some value, any determination of what may be considered "good" corporate governance mechanisms are necessarily contextual, being a product of both socio-historical context and the needs of individual firms. Second, the contested notion of board effectiveness, and the factors that have been identified as affecting board effectiveness by empirical research, including CEO duality, the ratio of outside to inside directors and board diversity are critically reviewed. The final section considers the impact of board dynamics on board effectiveness, and is concluded with the presentation of an exploratory framework of board director capabilities necessary for increasing board effectiveness.

Chapter 3 contains a discussion of the methodological issues consider by the researcher in the construction and development of the research project. The chapter begins by reiterating the aims and objectives of the study. Following this, issues of research philosophy are considered, the researchers' philosophical position is outlined and the rationale behind the adoption of a realist philosophical approach is defended. The chapter continues with an in-depth discussion of the advantages of the chosen research design (multiple case study approach), method of data collection (unstructured interviews) and approach to data analysis (thematic analysis) for the purposes of the present work. The quality of the research is then considered, the steps undertaken to ensure the integrity and value of the work are outlined and it is argued that the present work exceeds the established criteria for both validity and reliability. This chapter closes with a review of ethical considerations for the present study and the steps taken by the researcher to ensure the safety of participants and participating organisations.

Chapter 4 is concerned with contextualising the research. Thus, the chapter begins with a consideration of the geography of Abu Dhabi, and the country's social and political history. Following this an in-depth discussion of the history of the public sector and recent changes in public sector ownership within the country is presented. The chapter concludes with a review of the corporate governance mechanisms that are dictated by law and prescribed as best practice in the country.

Chapter 5 presents a descriptive analysis of the cases. First, there are descriptions of the four organisations. Each description contains details of the history of the company, the structure the board and the demography of board directors. Following this a within-case thematic analysis of each case is presented and the key themes highlighted. The second section of the chapter presents a cross-case analysis, leading to the establishment of the key themes. The key themes that emerge include the importance of the CEO and the CEO's skill-set for the increased effectiveness of PSBs and a variety of key capabilities necessary for board directors to increase the effectiveness of PSBs. The chapter concludes with a revision of the exploratory framework presented in Chapter 2 and thus presents a model of the key capabilities necessary for board directors on PSBs in Abu Dhabi.

Chapter 6 discusses the results of the study. First, the results of the study are contrasted with those of previous empirical researchers and the potential reasons for coherence and contrast with the findings of other researchers are highlighted. Second, the pivotal contributions made by the study to field of corporate governance are outlined. Following this the practical implications of the present work are examined, and it is argued that through a structured Human Resource Development programme the necessary capabilities required by board

directors can be transferred to board directors to improve the effectiveness of Abu Dhabi PSBs.

Chapter 7 provides a summary conclusion of the work. The overall aims of the project are reiterated, the key findings highlighted and the theoretical and practical implications of the work restated. This chapter concludes with a discussion of the limitations of the research and outlines potentially fruitful directions of future research.

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

Recent history has borne witness to numerous corporate governance failures, largely due to the passivity of boards; Enron, Tyco, Parmalat and Marconi provide well known recent examples. It is tenable that had their boards acted sooner the resulting public scandal may have been minimized if not prevented (Kakabadse et al., 2011). The interest in corporate governance has been revitalised; public consciousness following the financial crisis in 2008 has being heightened – a crisis that some have attributed to failures in corporate governance (Aras and Crowther, 2010). Such failures are not confined to the western hemisphere - following the financial crisis that took place in Asia in 1997/1998 a good deal of emphasis in corporate governance reform was placed on board structure (Abdullah, 2004). The implication is that there is widespread belief that corporate governance mechanisms can lead to effective board operation. Yet, what amounts to effective corporate governance principles is a difficult question to answer, and the issue is arguably more complex when one considers public sector organisations: Cornforth (2001) notes that in the western hemisphere there is a long running understanding that the governance of non-profit and voluntary organisations is problematic, with the effectiveness of governance mechanisms being questioned.

Despite these difficulties there are two broad theses for increasing board performance: the re-examination of governance standards and protocols, and the enhancement of board director capabilities. The proponents of the former have suggested that while the governance foundations of corporations go unexamined, efforts to enhance director capabilities will be of little benefit (Bogle, 2005). Yet, some argue that further attention to corporate governance protocols and practice will increase administrative stipulation (Higgs, 2003; Wearing, 2005),

and show little benefit as the cost of monitoring will overtake the benefits of improved performance especially as the capabilities of directors remain the same (Acemoglu, 2004). As explained in the introduction chapter, the researcher believes that both the re-examination of governance standards and protocols, and the enhancement of board director capabilities are necessary, however researchers own personal experiences and first hand observation seem to place more importance to the latter rather than the former view.

Further complicating the attempt to increase board performance is the problem of determining precisely what board effectiveness amounts to - a complex question, and one which has received considerable attention in the corporate governance literature (Conger et al., 2001; Schmidt and Brauer, 2006). Precisely how to determine board effectiveness remains a divisive issue (Petrovic, 2008); and it has been stated that the major challenge in studying board effectiveness is determining how to define and measure board effectiveness (Herman et al., 1997). This is problematic – if it is unclear what board effectiveness amounts to, then efforts to increase board effectiveness may fall short of the mark. Numerous studies, evaluate board effectiveness by taking a company's financial performance as a proxy (see for example, Vafeas, 1999; Abdullah, 2004; Anderson et al., 2004; McIntyre, 2008). Such, an approach is widespread in the literature – and is arguably well grounded; if, as suggested the board has a significant impact on firm operations then the success of the firm should reflect the success of the board. Yet, it often appears that boards are effective – precisely until they are not.

The research, adopts a realist philosophical position (see chapter 3) that contends that there is no *real* board and no *real* board effectiveness, there are merely perceptions of the board and of effectiveness that can be offered by different stakeholders (Herman et al., 1997).

Following from this position, is the second common approach to determining board effectiveness by making use of various stakeholders in a firm and asking them to provide the evaluation of board effectiveness (see for example, Bradshaw et al., 1992; Herman et al., 1997). Adopting such an approach is especially useful in the public sector context (for example Abu Dhabi PSBs) – where various stakeholders exist; and whose interest the board is supposed to serve (Rose and Lawton, 1998). In the case of the present research, the very nature of the boards (public) stipulates the importance of the various stakeholders and their interest as influencing factors on the board and board member's conduct. The PSBs in Abu Dhabi are expected to serve the interest of the public. The present research also aims to explore the perception and awareness of the members of their roles and responsibilities concerning the above.

While numerous studies have considered how to increase board effectiveness by examining director capabilities and contributions (for a review, see Petrovic, 2008) none that the researcher is aware of have focussed on Public Sector Boards (PSBs) in Abu Dhabi. The proposed research aims to fill this gap within the relevant literature by determining the necessary capabilities of individual board directors for effective board performance on PSBs in Abu Dhabi. Thus, the primary focus of the present literature review is to critically consider the empirical literature on the capabilities of individual board directors that are necessary for effective board performance, or more generally: board effectiveness.

However, an examination of single factors such as capabilities, governance competences or protocol in Abu Dhabi, without considering Islamic work ethic (Yousef, 2001), may not provide a holistic picture of what influences the behaviour of the directors (Analoui, 2007). There is then a further need and necessity to explore needed competencies of the board

members for increased effectiveness and improved performance, as they are (Analoui et al., 2010), in context of social and civil service corporation realities in Abu Dhabi, dominated by Islamic values and beliefs (Abuznaid, 2006; Sameh, 2011).

The present chapter is structured in four parts. The first part considers the concept of role and role theory from different perspectives namely structuralism and interpretivism in order to highlight the differences in underlying assumptions of the organisational writers when dealing with organisational behaviours. It is believed that understanding perceived role of the member's role (both role taken and made) plays a crucial part in understanding the behaviour of the individual directors in the Abu Dhabi PSBs. Attention will be paid to the importance of adopting an integrated approach and its implication for adopting 'realism' as the main philosophical stand when dealing with the issues of data, and data generation. Concepts such as 'role set', 'role ambiguity', 'role expectations', 'role negotiation', 'role making and role taking', and 'role conflict' will be elaborated in some details. The second part will explore the concept of corporate governance and the role of the board and argues that it is difficult to be prescriptive about such matters since what may be considered "good" corporate governance mechanisms are a product of both socio-historical context and the needs of the firm. The third part examines the somewhat contested notion of board effectiveness and the factors that are considered to affect board effectiveness, focussing on CEO duality, the ratio of outside to inside directors and board diversity. The fourth section considers board dynamics and draws from the literature, the capabilities of board directors that are necessary for increasing effectiveness. It must be reiterated that selection and review of the above, as it will be demonstrated in chapters 4, 5, and 6 have been by design rather than default. It is believed that behaviour of board and its members cannot be achieved unless research is familiar with the above theories and concepts. The above forms the conceptual basis that

equips the research with sufficient knowledge to conduct this first time research in PSBs in Abu Dhabi.

While the present work makes a contribution to the field of corporate governance the study of individual capabilities of those working within teams is one which may be studied from various theoretical perspectives including organisational behaviour, and sub-field of small group dynamics. Thus, where appropriate, evidence from these fields of scholarly inquiry is marshalled to provide further depth to the analysis.

2.2 INDIVIDUALS AND ORGANISATIONAL ROLES

The review of the relevant literature will remain incomplete if some of the ambiguities surrounding the use of the term 'role' are not dealt with. This is particularly crucial when the intention is to understand the behaviour of the board members of the Abu Dhabi PSBs and their effectiveness. The 'role theory' as a theoretical perspective distinguishes between the different concepts of 'role' from a sociological and organisational point of view (Burrell and Morgan, 1979; Rodhman, 2000).

2.2.1 The diversity of 'role' and its meanings

The concept of role with a sociological origin occupies an important place in understanding organisational behaviour (Welbourne et al., 1998; Schmidt, 2000). Despite its crucial importance there is a great deal of disagreement amongst social scientists on its meanings and what it stands for (Buchanan and Huczynski, 1997). Whilst the concept of role is often used to mean the behaviour expected from the occupant of a position in a social system, in organisational terms it means more than just 'job descriptions' (Litterer, 1965). Role refers to

more than duties and responsibilities it also includes the relationships formed by individuals, styles and manner of performance. In this sense of the word, the development of the concept of the role leads to interpretation of behaviour of the individuals and groups in different social and organisational settings. Role therefore can be seen as human output or the 'contribution to the achievement of organisational goals (Das, 2001: 590). At work the term role describes the part to be played by individuals in fulfilling their job requirement. 'Roles therefore indicate the specific forms of behaviour required to carry out a particular task other than group tasks contained in a position or job' (Chell, 1985; Armstrong, 2006). The concept of role suggests that people at work are always acting a part; they are not simply reciting the lines but interpreting them in terms of their own perception of how they should behave in relation to the context in which they work, especially with regard to their interactions with other people and their discretionary behaviour' (Armstrong, 2006: 247). Researcher's own observation and experiences firmly supports this view. The board directors in the Abu Dhabi PS Boards are actors who interpret their roles and negotiate the reality of the board accordingly. This view has also been discussed in the chapter on methodology (See Chapter Three). The participants in the four organisations (cases) have not been assumed to be passive, hence the importance given of their views and perceptions of their interactions with others and the operations of the board as the whole.

2.2.2 Multi perspective definitions

There is disagreement amongst the social scientists on the definition of 'role'. This is largely due to 'how they are to be used' (Lupton, 1971), and the perspective from which 'role' is viewed. Here 'prescriptive', 'evaluative', 'descriptive', and 'action' will be considered.

A Prescriptive definition is largely influenced by classical theories of organisation which points to the functional aspect of the 'role' and what needs to be done. It is concerned with the notion that the individual should play a specific role. A job description represents the content of the role.

An *evaluative* definition is more concerned with how a role is performed. It therefore requires established criteria and standards against which the assessment can be made. A role description can provide such a standard. Staff appraisal 'could be considered to be part of the procedure intended to pattern, and make predictable the behaviour of the organisation members (Buchanan and Hucznski, 1997:377).

A *descriptive* definition of role is based on the actual duties performed by the person. This view is based on 'what it is rather than what it ought to be' and is influenced by the works of social scientists such as Mintzberg (1973) and Stewart (1976) who believed in adopting a realist view of the world. Analysis of the role content based on observation as carried out by an individual provides such information.

The *Action* definition of the role is not concern with the duties that should be undertaken; rather it is concerned with the action taken in pursuit of these duties. This definition of the role is influenced by social action theorist such as Silverman (1971) who view the action as being socially constructed. Any role therefore can be considered under these four broad interrelated and interdependent categories (Buchanan and Hucznski, 1997; Stewart, 1982).

2.2.3 Role expectation and role set

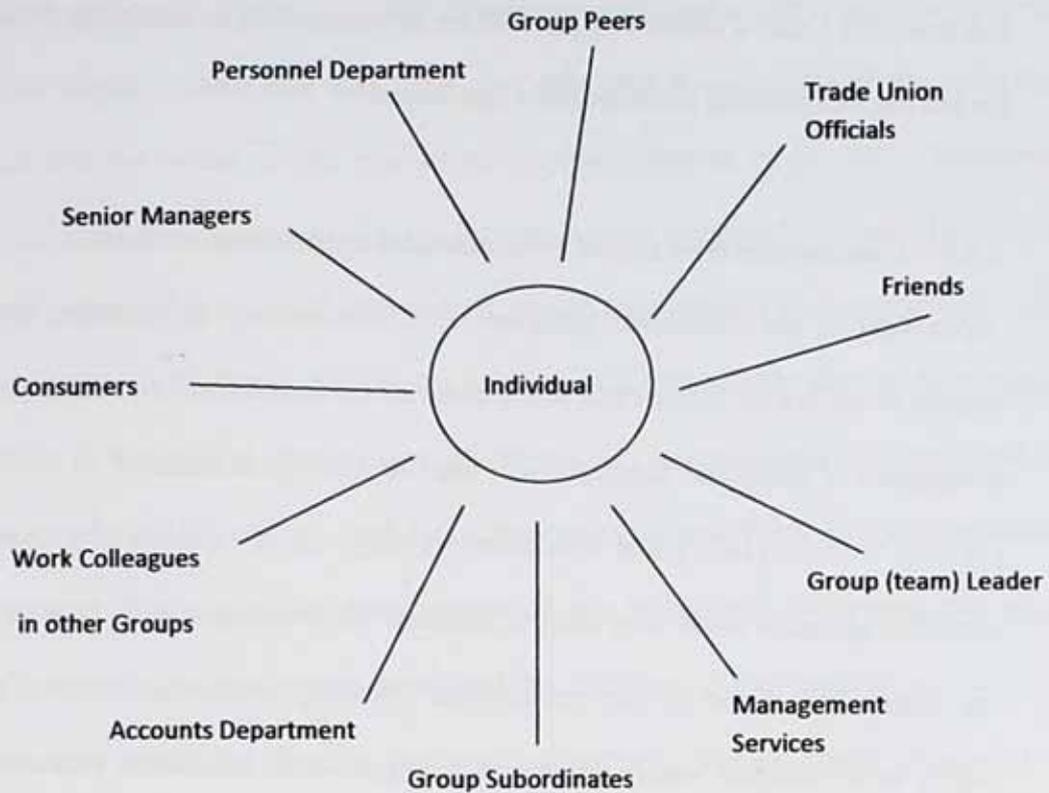
Moreover, it leads to expected behaviour by others. To this end role is an important factor in personal behaviour but it is different from the personality of the role occupant (Lupton, 1982). The role concept can also be used in the understanding of the intergroup behaviour. In particular all organisation participants have certain expectations from one another; these expectations can also be thought of as a set of roles that are overlapping role sets (Stewarts, 1976; Mullins, 2002). According to Webber, the behaviour expected from a person occupying formal positions in the organisation, office or Bureau becomes recognised as his or her role (Argyris, 1957; Blau, 1966). In this vein, 'A role is the expected pattern of behaviours associated with members occupying a particular position within the structure of the organisation' (Mullins, 1993: 186). We manage to translate the set of external expectations about our behaviour in a role into a corresponding set of psychological properties such as belief, values, attitudes and prescriptions (I ought to; I ought not to). This is referred to as *internalisation* of expectations and can result in a major change in an individual's behaviour (Fincham and Rhodes, 1999). 'Roles are internalised during *role episodes*, which refer to the whole of the process of perceiving others expectations of us' (Fincham and Rhodes, 1999: 171).

Inevitably the role that individuals perform leads them to form relationships which can be seen as 'role relationships'. In a group context, the roles that individuals play are influenced by a combination of 'situational' and 'personal' factors. Interestingly the roles that a person may play in one group may not be the same as those he or she performs in other task groups (Tuckman, 1963; Minor, 1971; Handy, 1985).

Role theory as formulated by Katz and Khan (1966) states that the role individuals occupy at work- and elsewhere- exists in relation to other people. An individual's role therefore can be seen as being 'associated with position in an organisation and are involved in interaction with others' (Buchanan and Huczynski, 1997: 374). Since each individual interacts with different people in the organisation therefore he or she has his own 'role set'.

The concept of role set refers to the set of roles with which a person interacts by virtue of occupying a particular position (Katz and Khan, 1978). The occupant of the position can be regarded as the 'focal person' whose role set necessitates him or her to play a number of roles in life both sequentially and simultaneously, and that only some of them are associated with their workplace (Stewarts, 1967; Lupton, 1971; Argyris, 1973). Khan is mostly associated with role-set theory of the organisation. In his view the organisation is made up of overlapping and interlocking role sets. These roles would normally transcend the boundaries of the classical concept of the organisation. Applied to directors and board members it reveals the involvement in more than one role which can result in ambiguity and conflict (Luthans, 1998: 313). (See Figure 2.1)

Figure 2.1: Representation of possible role –set in the work environment



Source: Adapted from Mullins, J. L. (1993), *Management and Organisational Behaviour*

People's roles in an organisation can be ranked by status (Van Maanen, 1991), but this is not always clear cut. In hierarchical organisations status is very much related to the position and position defines the role and responsibilities of the individuals (Kakabadse, et al., 2004; Analoui, 2002). In a bureaucratic organisational structure people are expected to perform the duties of their role without consideration of people as individuals. Stewart (1986) views the characteristic of impersonality as a feature of bureaucracy which most distinguishes it from other types of organisation. However, Armstrong (2006) aptly contends 'situational factors are important; the role individuals perform can 'both shape and reflect their personalities. Stress and inadequate performance result when roles are ambiguous, incompatible, or in conflict with one another' (247). These issues will be discussed in more detail later. In the

case of the present research, it is evident that board members play an important role. For example, the Chair's behaviour (as will be demonstrated) in resolving the conflict is crucial for the smooth running of the board's operations.

2.2.4 Functionalism vs Social Interactionist approaches to 'role'

According to the functional perspective, it is necessary to examine the *structure* of the society if we are to understand the actions of the individuals who make up the whole. The proponents of structural functionalism use the 'biological analogy' in the tradition of Comte (1853), Spenser (1873) and Durkheim (1938). It is believed that human activities are regarded as useful when they help to maintain the social structure. In a sense, human actions are largely structured by our environment (Nobbs, 1983), thus treating the external social world as a concrete reality governed by observable functional relationships amenable to scientific investigation. It is argued that by 1950's its influence was so pervasive that in certain quarters functional analysis was equated with sociological analysis per se (Davis, 1959). Radcliffe-Brown went so far as arguing that 'the ongoing life of a society could be convinced in terms of the functioning of its structure - hence the notion of structural functionalism (1952). The 1970's and 80's state of structural functionalism ranges from 'Grand theories' to 'abstracted empiricism' with a general emphasis in the latter upon *structure* rather than *function* (Burrell and Morgan, 1979: 49-56).

The implication of the above for explaining what role is was extensive. The behaviour of the person was bound with the notion of structure and was prescribed by predetermined rules and regulations associated with a position in a particular social or organisational setting (Linton, 1936). Organisational role was predetermined with emphasis on appropriate behaviour (Turner, 1962; Breese, 1997; Hogg and Doolan, 1999). In its extreme sense, the assumption

was that individuals who share similar roles also share common identities and collective behaviour (Silverman, 1971; Schmidt, 2000). The major weakness of the objectivist approach to the study of organisational role and behaviour was that it under-mined the individual characteristics and the nature of the interaction process (Stewart et al., 2005; Silverman, 2005). The questions, can we assume that the director's roles are predetermined? Do they all adopt the same pattern of behaviour? And indeed, would they attempt to interpret their 'role' as a member of the board? - firmly point to the position of the researcher that the functionalist view falls short of explaining the realities of the board, the processes involved and the interpretations made, which are by and large due to the capabilities of each individual director-role holder. The underlying assumptions of the researcher concerning the nature "participants", as explained in chapter three, and the findings of the research clearly show that board directors cannot be taken as "passive" individuals. They actively interpret their roles and act accordingly.

2.2.4.1 Interactionism and Social Action Theory

Historically, it was Max Webber who although was not a social interactionist in a modern sense of the word, emphasised the importance of the interpretation of the actions and interaction of the individuals in order to arrive at a causal explanation of its cause and effects (Webber, 1947; 1949). Interactionism changed the direction of sociology. According to Webber, because of the consensus and conflict perspectives society is a structured whole. It is believed that more can be learnt about the society by comparing it with a biological organism (consensus theory) or by considering a structure of competing groups – conflict theory (Burrell and Morgan, 1979). Of course, interactionism is fraught with difficulties, 'because when we study interaction it will inevitably interact upon us and affect our judgment' (Nobbs, 1983: 33).

The foundation of modern interactionism was laid by Goerge Simmel (1950; 1955) and Gorge Herbert Mead (1934; 1938; 1956) whose thoughts have come to be known as the neo-idealist tradition which has immensely influenced the debate on objective-subjective dimensions of the social processes and reality (Silverman, 1971; Burrell and Morgan, 1979). Simmel (1950) focused his attention upon human beings in their social context. He was primarily interested in what he described as 'interactions amongst the atoms of the society'. For Simmel conflict was inherent in social life (Burrell and Morgan, 1979). In Coser's words, 'Any social relationship needs attractive and repulsive forces, harmony and disharmony, in order to attain specific form' (1965: 12). Mead on the other hand has come to be associated with 'symbolic interactionism'. According to Mead, symbolic interaction involves interpretation, or ascertaining the meaning of the actions or remarks of the other person, and defining, or conveying indications to another person as to how he is to act. Human association consists of processes of such interpretation and definition. Through this process the participants fit their own acts to the ongoing acts of one another and guide others in doing so (Blumer, 1966:537-8). Blumer goes on to present symbolic interactionism as being essentially concerned with the meanings which underlie the process of interaction and as an attempt to understand the society in those terms (Burrell and Morgan, 1979).

The social action theory is sometimes described as 'the action frame of reference' and derives largely from the work of Webber (1947; 1949). The notion of 'verstehen' or interpretive' which suggests 'understanding' plays a crucial part in neo-idealist social thought (Burrell and Morgan, 1979:83). Cohen (1968) suggested that theory of action can provide a mode of analysis for explaining the action and conduct of the typical individuals (actors or social actors) in a typical situation. For example, Cohen suggested that actors have goals and they pursue these goals. This involves the selection of the means for their attainments. More

importantly, the actor is influenced not only by the situation but by his or her own knowledge of the situation. The social actor has certain norms and values which govern his selection and his ordering of them into some scheme of priority (Cohen, 1968:69).

Social action theory, since 1960's has received a great deal of attention. Empirical studies conducted by Goldthorpe (1968) on orientation to work and Silverman's (1970) advocacy to action frame of references have influenced the work of many researchers in the field of organisational behaviour. The essence of the social action theory is based on the notion that a person's action is socially constructed and is socially maintained. To understand the action of a person the meanings attributed to social action should be explored (Silverman, 1970; Analoui and Kakabadse, 2000).

To sum up, social action theorists are concerned with subjectively defined 'role', understanding the interactions and processes involved, and micro reality as opposed to macro level of social reality (Turner 1978; Weik, 1979; Stewart et al., 2005). It is assumed that role consensus is an occasional thing because the patterns of behaviour change in line with contingencies and individual goals (Brees, 1979; Parker and Randall, 1997; Silverman, 2005).

How do directors see their own and others' action? How do they interpret these actions and more importantly, what norms and values do they use for such interpretations? The researcher's view is firmly rooted in gaining an insight into the 'meanings associated to actions by directors (social actors) in the board context, albeit, as will be illustrated the influence of the structure on people's behaviour cannot be completely excluded from the influences of the structure.

Most models concerning 'role' have been influenced by the above main two perspectives. Here some of the most influential models will be examined in some detail.

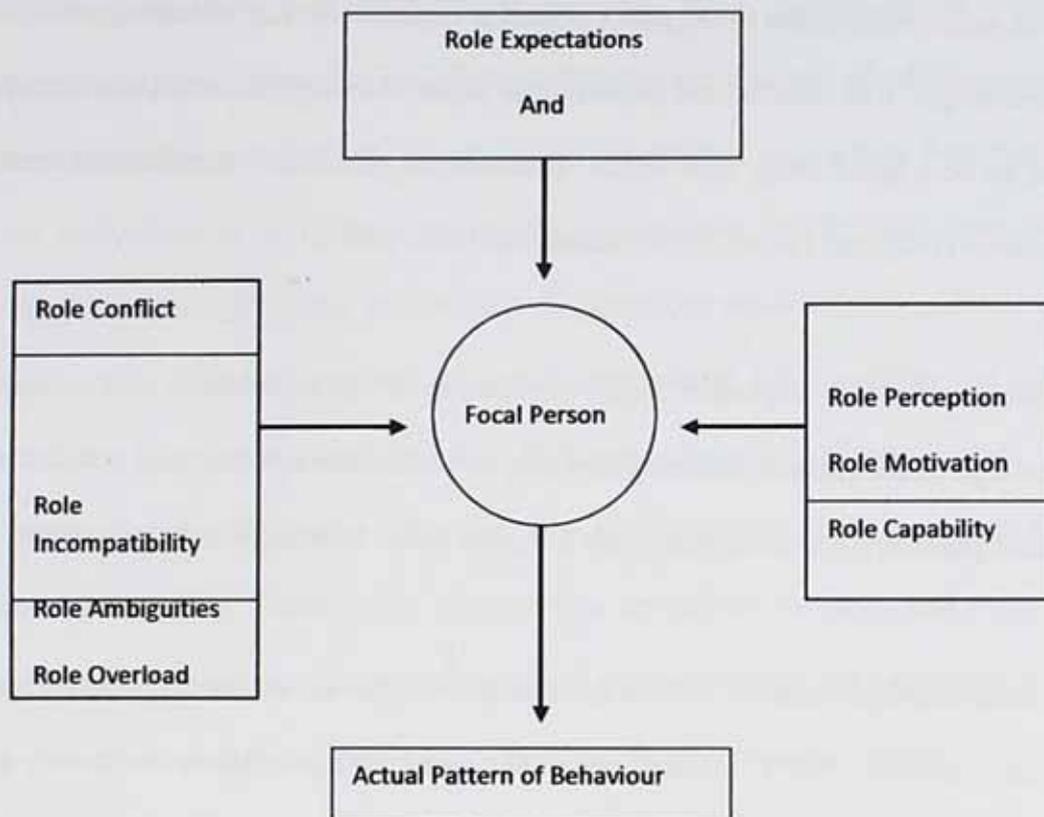
2.2.4.2 Role conflict

The functionalist view of the role discusses the concept of the role independently of an individual's personality. Role conflict arises from inadequate or inappropriate role definition and needs to be distinguished from personality clashes. Smith et al., (1982) aptly contends; "Role conflict exists when an individual in a particular work is torn by conflicting job demands or doing things he [she] really does not want to do or does not think are part of the job description" (1982: 77).

Role conflict as a generic term includes (See Figure 2.2).

- Role incompatibility
- Role ambiguity
- Role overload, and
- Role under-load

Figure 2.2: Role relationships and conflict



Source: Adapted from Mullins, J. L. (1993), Management and Organisational Behaviour

Role incompatibility arises from a situation when an individual faces simultaneous different or contradictory expectations. These create inconsistency. Compliance with one expectation makes it difficult to comply with the other (Dunkerley, 1975).

Role ambiguity however may result from a lack of requirements for the role which results in poor performance (Das, 2001; Mullins, 2002). Full information is required for the role incumbent to meet the expectations in his or her role (Schien, 1988). When a person faces too many roles or a variety of expectations, thus is classed as work overload (Handy, 1985). The opposite is also true, when a person's role expectations fall short of their own perceptions of

role – work under-load (Schien, 1988). It is contended that ‘unless role differentiations are defined clearly this can result in conflicting expectation [...] this can also lead to uncertainty about the exact requirement of the part a person is expected to play’ (Mullins, 1993; 190).

Not surprisingly, role conflict can result in role stress. Although a certain amount of stress is thought to be a good thing high levels of stress are potentially harmful and lead to poor performance (Filly and House, 1969; Kakabadse et al., 2004).

The concept of role is important to the functioning of the individuals, and group and their relationships. Inadequate or inappropriate role definition can result in role conflict including: role incompatibility, role ambiguity, role over and under load and finally role stress.

Inter-group conflict leads to role stress and poor performance on the part of the persons involved (Schopler, 1987). Indeed, managerial work is one of the areas closely associated with the effects of stress, and personality traits; and is often linked with high levels of coronary disease (Roeman et al, 1964). These are associated with people with high levels of personal investment in their work (Cooper, 1964; Thompson and McHuge, 1990: 325).

Various strategies can be adopted to manage conflict. These include *avoidance*, *diffusion*, *containment*, and *confrontation*, (Feldman and Huges, 1986; Robbins, 1990; Wall and Callister, 1995). However there are many strategies and each may fit a specific situation (Handy, 1985; Schopler, 1987).

2.2.4.3 Role Making and Role Taking

Role making simply refers to ‘taking the initiative to create a role by assuming responsibilities that are not a part of an assigned role’. The process of taking the initiative

reveals that the individual is not a passive recipient of the role (Analoui, 1999; Kakabadse, 2000). Rather they will change the role in order to meet both the role requirement and expectation, and their own expectations (Stewart, 1994; Kakabadse, et al., 2004). The proponents of social interactionism acknowledge the fact that individuals do pursue their own goals and interests (Mead, 1934; Silverman, 1970) and it is not unusual from this perspective to see individuals at work adapt their role requirements to 'fit' their own interests too. Kakabadse, et al., (2004) has successfully explored the nature of the 'politics' at work and how the subtle processes involved suggest 'volunteerism' and 'reactivity' on the part of the role holders. It has been commented that 'differences do exist; and people think, feel and see the same situation differently. However, that does not have to be a serious constraint to harmonious working' (2000, 173). This is not to say that the demands and constraints do not limit the focal person's choice, indeed the focal person manages the expectations and the role to include opportunities to achieve his or her desired objectives too (Stewards, 1994; Analoui, 1999).

Fondas and Stewart (1994) have argued that the individuals do not just react to others 'expectation' but also are involved in the process of role making (enacting their own roles). Arguably all roles have the potential for 'role making' (Wilcocks, 1994; Troy et al., 2000). The directors on the board cannot be excluded from this process. They too are involved in the process of negotiating their interactions as a focal person to role senders (Fondas and Stewart, 1994). It can be argued that the CEO, ED or even non-ED by the virtue of their membership of the board are influenced and influence others in their interactions with them (Kakabadse, et al., 2004). The autonomy and role discretion associated with a job provides the opportunity for role making (Kakabadse, 1993; Troyer et al, 2000). This issue becomes of interest to the present research when the notion of 'role taking' is considered.

Role taking is basically the process of performing one's responsibilities associated with an assigned role. 'Role taking is the common process of assuming a formal organisational role' (Gorge and Jones, 2008, p: 337). Members of PSBs do assume certain responsibilities associated with their roles, for example CEO or ED. It would be interesting to explore the extent to which the role on the board provides discretion for role making and how this process of negotiating role receiving and role sending is being negotiated by the board member (focal person), and in what way it tends to influence the individual's effectiveness? What is certainly supported by empirical research findings is that although executives, because of their position, do possess relatively higher levels of discretion this discretion is limited by the environmental factors such as legal and market related (Hambrick and Finkelstein, 1987; Bowman and Kakabadse, 1999). In agreement with the proponents of interactionism, it must be said that capability of the individuals, for example an executive, a CEO or a board member, should not be understated. The focal role holders are politically aware (Analoui, 2007) and as appropriately contended, the degree of discretion within the executive role is largely driven by the individual's ability to influence the demands and constraints of their role (Stewarts, 1976; Kakabadse and Kakabadse, 1999).

2.2.5 The reality of board member's behaviour

It was briefly explained earlier when discussing the influences of the external factors on the individual and the way he or she is expected to execute his or her responsibilities, that realistically it is not possible to assume that a board member is only involved in the process of 'role taking' (functionalist stand) nor is it feasible to assume that board members do not or cannot use their capabilities and other personal traits to negotiate any demands and constraints faced. Research has supported the notion that board members like any other

executive (organisational member) are actively involved in the process of role making (Social Interactionism stand). Thus, in line with 'integrative theory', which characterises the brand of sociological theorising which occupies the middle ground (Burrell and Morgan, 1979, p: 87), the present research sees the position of the board members as both 'role takers' and 'role makers' (Analoui, 1999; Kakabadse and Kakbadse, 1999). This is also congruent with the methodological assumptions adopted (see Chapter Three) where 'realism' is preferred to purely adhering to 'perception'; rather focussing on how and why the behaviours occur (Rothman, 2000; Silverman, 2005; Analoui, 2007).

To sum up this section, role theory though contentious in times it provides a comprehensive perspective from which to view and understand organisational behaviour. In the case of present research, it allows us to view the board members roles, responsibilities, extent of their role taking and role making as well as the ways in which they deal with 'role ambiguity', 'role stress' and how they strive towards effectiveness whilst negotiating and influencing the constraints and demands in their way. The foundation of this research is based on the 'open system' theory which acknowledges the presence and mutual influences of the external factors and board members, and their impact on the their own individual and board effectiveness as the whole.

2.3 CORPORATE GOVERNANCE AND THE ROLE OF THE BOARD

Within this section the literature reviewing corporate governance and the role of the board is discussed critically.

2.3.1 Corporate Governance

Recent history has borne witness to numerous corporate governance failures, largely due to the passivity of boards; Enron, Tyco, Parmalat and Marconi provide well known recent examples. It is tenable that had their boards acted sooner the resulting public scandal may have been minimized if not prevented (Kakabadse et al., 2011). Board failures are not confined to the developed world; studies of board performance in fast growing developing economies also reveal a deficit between desired board contribution and the reality of director behaviour (Oseichuk et al., 2009). Yet, while board failure can be appreciated in hindsight without difficulty, board effectiveness remains an elusive concept (Garratt, 2003; McIntyre et al., 2007) and what makes a board an effective governance mechanism remains a fundamental question (Nicholson and Kiel, 2004) (see Section 2.3).

Despite increasing public and scholarly interest in corporate governance definitions of the term and thus useful delineations of the field of study vary. For some it is understood broadly as being concerned “with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment” (Shleifer and Vishny, 1997: 737); for others it is viewed more specifically as being concerned with the distribution, exercise and implications of corporate control, prioritising questions such as who controls corporate decision-making, the types of decisions that are made and the implications of these decisions for different interest groups (O’Sullivan, 2005).

Indeed, interest in corporate governance has recently been revitalised, arguably due to heightened public consciousness following the financial crisis in 2008 which some have attributed to failures in corporate governance (Aras and Crowther, 2010). Outside of the Western hemisphere, Abdullah highlights that following the financial crisis that took place in

Asia in 1997/1998 a good deal of emphasis in corporate governance reform was placed on board structure (2004). This, interest in corporate governance and reforms, both by governments and scholars across the world seems to suggest that if effective corporate governance mechanisms can be determined – firm performance can be increased and that firm failure can be avoided.

In the UK, various recommendations for reforms have been offered over the years (see for example, the Greenbury Report, 1995; the Hempel Report, 1998; Cadbury, 2002; Higgs, 2005). The importance of corporate governance policies is clear; they act to determine and constrain the behaviours of boards - thus having implications for the way in which board director's act and in which organisations are governed. This is important, the failures of Enron, WorldCom and others in the US have been blamed on un-wanted director behaviours, as the CEO and other senior managers were able to dominate the board, they had control over organisational strategy, and the divulgence of information to stakeholders, and so they were able to perpetrate their frauds without detection (Ezzamel and Watson, 2005).

However, it is not clear that boards necessarily make use of codes of best practice, or even that a prescriptive approach will yield desirable results. A study of Irish technology firms, conducted by O'Regan et al (2005) provided quantitative evidence from 88 Irish Chief Financial Officers on a range of topics concerning governance practice and the role of directors. The study found that overall CFOs were satisfied that their companies followed best practice, but did not believe that their respective boards had actually been briefed on what best practice amounts to.

While what amounts to effective corporate governance principles is a difficult question to answer, the issue is arguably more complex when one considers public sector organisations: Cornforth (2001) notes that in the western hemisphere there is a long running understanding that the governance of non-profit and voluntary organisations is problematic, with the effectiveness of governance mechanisms being questioned. As Rose and Lawton (1998) highlight the central differences between corporate governance issues for the private and public sector are that while private sector organisations are accountable to shareholders, those in the public sector are largely accountable to the general population, if not directly then through representatives of the populous: arguably providing a need for greater transparency. The objectives of companies located in the public and private sectors also differ – leading to further difficulties in determining what board effectiveness amounts to (see Section 2.3).

As Ardalan (2007) notes the proponents of the perspective approach take on corporate governance as determining what are to be considered *good* corporate governance mechanisms. A variety of perspectives on corporate governance exist, including agency theory, stewardship theory, stakeholder theory and managerial hegemony. Drawing on different perspectives of corporate governance, Cornforth (2004) offers an analysis that draws out implications for the role of board, for board members and for whose interests the board serves (see Table 2.1). These perspectives are considered in turn.

2.3.1.1 Agency Theory

Agency theory dominates corporate governance arrangements (Cornforth, 2004) and is concerned with the agent-principal relationship: where the principal are the owners of the firm, who divest powers to control the firm to the agent – the firms' managers (Eisendhart, 1989). In theory these two parties are in co-operation, but in practice they can have divergent

Table 2.1: Perspectives on Corporate Governance and the Role of the Board

Perspective	Interests	Board Members	Board Role
<i>Agency Theory</i>	Owners/members and managers have different interests	Owner/members representatives	<ul style="list-style-type: none"> • Safeguard owners interests • Oversee management • Check compliance
<i>Stewardship Theory</i>	Owners/members and managers share interests	Experts	<ul style="list-style-type: none"> • Add value to top decisions/strategy • Partner/support management
<i>Stakeholder Theory</i>	Stakeholders have different interests	Stakeholder representatives	<ul style="list-style-type: none"> • Balance stakeholder needs • Create policy • Control the executive
<i>Managerial Hegemony</i>	Owners/members and managers have different interests	Owner/members representatives	<ul style="list-style-type: none"> • Ratify decisions • Provide legitimacy for managerial decisions

Source: Adapted from Cornforth (2004)

interests, thus as Jensen (1983) posits the agency theory is about prescribing mechanisms that mitigate the ability of the agent to act in self-interest when doing so diverges from the

interests of the principal. Agency theory views corporate governance mechanisms as the best way to ensure that managers act in the interests of the principal (typically shareholders) – through the board undertaking monitoring and controlling the activities (Keasey et al., 1997). Yet, many corporate governance issues arise from the separation of ownership and control and the inability to create contractual obligations between a firm's management and ownership that cover all eventualities (Hart, 1995; Keasey et al., 2005). Boards and their directors are often held responsible, as the stewards of the enterprise, for enabling management to realise stakeholder value on behalf of shareholders (Monks and Minow, 2001). In effect, boards act as the guardians of the principle/agent relationship, whereby the principal is the investor/shareholder and the agent is the management tasked with realising best value for that investment (Dalton et al., 1998). However, boards have been repeatedly criticized for not fulfilling their agency responsibilities (Drucker, 1974; Jensen, 1986; Kosnik, 1987). Despite these failings, many recent reforms in corporate governance in the UK and US aim at improving the control and monitoring abilities of boards (see below). As explained in previous chapter, the principle and agency approach is particularly relevant to the board members behaviour in Abu Dhabi PSBs. The performance of the Board as the whole and the behaviour of the members have to be considered in this context.

2.3.1.2 Stewardship Theory

Stewardship theory is grounded in the human relations tradition (Hung, 1998) and its principles and assumptions run contrary to those of agency theory. According to this perspective the board of directors, major shareholders and management operate in partnership (Pound, 1995); with the interests of management understood as being intertwined with those of the firm (Lam and Lee, 2008). As Donaldson (1990: 375) argues, managers are to be viewed as inherently trustworthy and as good stewards of the company; they act not only out

of self-interest but are motivated by non-financial rewards; they have: "a need to achieve, to gain intrinsic satisfaction through successfully performing inherently challenging work, to exercise responsibility and authority, and thereby gain recognition from peers and bosses". The role of the board then, is to work with management to improve performance, playing a key role in strategic decision making (Hung; 1998; Cornforth, 2004). Such boards take an active role in the running of a firm (Hung, 1998; Lam and Lee, 2008) and so board members are to be selected on the basis of their experience and expertise (Cornforth, 2004).

Yet, it can be argued that this perspective does little to enhance understanding of board functioning, and "...fails to provide a causal explanation or to add much to our knowledge of organizational life. It does not reflect the interplay of power, conflict and ideology" (Hung, 1998: 107). The importance of power, conflict and ideology, or more broadly group dynamics for the functioning of the board is discussed below (see Section 2.3).

2.3.1.3 Stakeholder Theory

Cornforth (2004) comments that stakeholder theory has been developed as a perspective of corporate governance that provides an alternative to models that focus primarily on shareholders. Indeed, the stakeholder perspective of corporate governance differs from the theories of agency, stewardship and managerial hegemony as it focuses not just on the owners or managers of a company; but states that a firm must take into account its wider stakeholder group (Hung, 1998). Stakeholders in a firm can be defined as any individual or group thereof that can affect or are affected by the organisation and its operations (Freeman, 1984). Thus, stakeholders in a firm are a diverse group, comprising of customers, suppliers, employees, shareholders and creditors (Bhagat and Black, 1999).

The stakeholder perspective has been praised for being morally laudable, serving the interests of more than just shareholders (or owners), and provides instrumental power, descriptive power and normative validity (Donaldson and Peterson, 1995). Furthermore, it is a model of governance often seen in the public sector (Cornforth, 2004) and where different stakeholder groups exist and where the firm is less concerned with profit-maximisation and more concerned with client-satisfaction in the interests of the public good (Rose and Lawton, 1998).

2.3.1.4 Hegemony

The managerial hegemony perspective argues that it is corporate management who control the operations of the company, with directors losing control as a result; the board acts as a mere *rubber-stamp* on the actions of management, the board is “essentially symbolic to give legitimacy to managerial actions” (Cornforth, 2004: 17) leading to what may be termed a passive board, where directors have little influence (Okpara, 2011).

Managerial hegemony dates back to the work of Berle and Means (1932); this perspective follows from the view that while shareholders may own firms, and in theory control them – in practice they have little to no control; as firms grow and share ownership becomes diverse, the power of large shareholders is reduced. In addition, Hendry and Kiel (2004) point to the issue of information asymmetry to explain the concentrated power of management in decision making. They highlight that since management have an intimate and on-going knowledge of the day to day operations of the firm, the board and specifically the non-executive directors are likely to be at a disadvantage.

There is empirical evidence for the veracity of this perspective; as highlighted recent failures in corporate governance have been blamed on the passivity of boards (Kakabadse et al., 2011). Further, studies by Mace (1971) and Lorsch and MacIver (1989) examine boards under normal circumstances and while in crises; they both report that the decision making power tends to rest with management under normal circumstances with directors becoming involved in strategic decision making under times of crisis.

Ultimately, the hegemony perspective revolves around power – whether it lies in the hands of top management, or the board of directors as a whole. Yet, it could be argued that these perspectives are somewhat outdated; empirical support has been questioned in the literature (see Stiles and Taylor, 2001) and it has been argued that the passivity of boards has been reduced since the 1980s (Kiel and Nicholson, 2003). However, it is clear that corporate governance reforms suggested in the UK and the US (see below) aim at increasing board and director independence, implying that not only is hegemony still a concern but also a matter of importance.

2.3.2 The Role of the Board

As clear from the preceding section perspectives on corporate governance mechanisms vary and thus so too does the role and focus of the board of directors. It is also clear that the prescribed role of the board varies by geography, arguably due to the dominant corporate governance specific undertaken in different countries. For example, an Anglo-American view prioritises the importance of representing the interests of shareholders (Sison and Kleiner, 2005). Whereas Tuschke and Sanders (2003) highlight that in Germany the board of directors is responsible for protecting the interests of other stakeholders, including the community and employees of the company. Therefore, objectives of boards, in terms of whose interests they

protect and prioritise will differ. Given this, it may be unwise to attempt to outline specific functions of the board – as these are likely to vary by geography and the dominant perspective of corporate governance under which they operate. However, a broad working definition of the role of the board can be achieved by adapting Denis and McConnell's (2005: 251) definition of corporate governance to include stakeholders beyond the suppliers of capital:

“[Corporate governance is]... the set of mechanisms – both institutional and market-based – that induce the self-interested controllers of a company (those that make decisions regarding how the company will be operated) to make decisions that maximize the value of the company to its owners (suppliers of capital) and other stakeholder groups”

Thus, for the present research the board of directors are understood as being responsible for deciding company operations achieved through exercising influencing on management, through the hiring, firing and compensating managers (Denise and McConnell, 2005); succession planning (Conlon and Smith, 2010); monitoring performance (Kemp, 2006), participating in strategic decision making, providing outside experience and wisdom, and reviewing strategic plans and their implementation (Nadler, 2004). Furthermore, the OECD (2004: 24-25) prescribes a number of key functions for the board of directors:

- Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives, monitoring and implementation and corporate performance; and overseeing major capital expenditure, acquisitions and other divestitures

- Monitoring the effectiveness of the company's governance practices and making changes as needed
- Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning
- Aligning key executives and board remuneration with the longer term interests of the company and its shareholders
- Ensuring a formal and transparent board nomination and election process
- Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse of related party transactions
- Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit and appropriate systems of control in place, in particular systems for risk management, financial and operational control, and compliance with the law and relevant standards
- Overseeing the process of disclosure and communications

Yet, it is clear that not all boards pursue these various activities to the same degree (see above). Furthermore, as Brunninge and Nordqvist (2004) highlight, some boards are passive, that is, they only exist to fulfil a legal obligation or requirement, particularly in the case of owner-managed firms (Huse, 1995); others operate principally to control management – and protect shareholder wealth where as others operate in a service role – providing advice and guidance to management (Forbes and Milliken, 1999).

Overall, there are two broad concerns for increasing board performance: one of which is the call for the re-examination of governance standards and protocols, and the other the

enhancement of board director capabilities. The proponents of the former reform have suggested that while governance foundations of corporations go unexamined, efforts to enhance director capabilities will be of little benefit (Bogle, 2005). Yet, some argue that further attention to corporate governance protocols and practice will increase administrative stipulation (Higgs, 2003; Wearing, 2005), and show little benefit as the cost of monitoring will overtake the benefits of improved performance especially as the capabilities of directors remain the same (Acemorglu, 2004). Indeed, writing on the literature that prescribes corporate governance form to increase board, it has been argued that: "close inspection of this literature reveals it is almost entirely based on subjective individual experience and anecdotal evidence. It fails to provide any systematic, empirically tested basis for setting standards, measuring performance, or examining the extent to which board performance may affect the work of the organization" (Jackson and Holland, 1998:159-60).

Alternatively, a call for a realistic approach asserts that it is the dynamic interaction of the board which requires attention rather than the myth of sole effectiveness of the leadership (Kakabadse and Kakabadse, 2008). The contracting view strongly suggests that the inappropriate and unwelcome director behaviour ought to be the focus of attention (Heidrick and Struggles, 2010). Thus, the latter asserts that in order to tackle the problem of poor board performance, directors need to re-examine their role and contribution, and acquire the skills and competencies needed to perform to exemplary standards (O'Higgins, 2009). Although numerous scholars have examined and proposed desired qualities and competencies for board directors (for example, Ingley and Van der Walt, 2003; Aguilera, 2005; Roberts et al., 2005) none have examined the issue within the context of Public Sector Boards (PSBs) in Abu Dhabi. In addition, much of this scholarly debate is Western-centric and may not be

appropriate given the dominant contextual socio-cultural values and practices of the Islamic world (Sameh, 2011).

Ultimately, the latter concern is favoured by the present work, and it is contended the search for prescriptions as to what corporate governance mechanisms should be adopted, and what boards should do may be futile. As Ardalan (2007: 506) highlights “an analysis of corporate governance necessarily requires a fundamental understanding of the worldviews underlying the views expressed with respect to the nature and role of corporate governance.” Ardalan’s point is of importance, since an understanding of the basic values and assumptions held by a researcher will have significant impact on not just the way in which a research study is approached, but also, the way in which it is to be understood and evaluated by others (Hussey and Hussey, 1997). The research philosophy adopted in the present work is discussed in detail in chapter 4. However, it is necessary to highlight that the present research adopts a broadly ‘interpretivist’ stand and more specifically that of “Realism” approach and thus, following Ardalan, views corporate governance principles as being largely pluralistic, that is there are no universal corporate governance principles that cover all societies, cultures or corporations. Rather, corporate governance principles are to be viewed as historically and contextually based, determined and continuously re-determined by the attitudes, values and behaviour of relevant social actors (Silverman, 2005). This approach recognizes that what is required for “good” corporate governance and the roles and behaviours of those concerned with the operation of the board are likely to change over time. Aside from the philosophical merits of such a position, an investigation which may be left to other students, it is clear that this view has some empirical support; corporate governance systems do vary by country and culture (Keasey et al., 2005) and have developed over time (Aras and Crowther, 2010).

The present research aims at determining the key capabilities for increased effectiveness of Public Sector Board of Directors performance in the Abu Dhabi public sector. Thus, the focus of the review is not aimed at determining any overall “best” system or principles of governance but rather with how at a given point in time in the context of the study, directors capabilities may act to improve performance. Thus, in the following review the literature is drawn from a wide range of sources and ultimately the veracity and value of these scholarly insights are discussed for the present research in the discussion chapter (see chapter 6).

2.4 FACTORS AFFECTING BOARD EFFECTIVENESS

Precisely what is meant by the term board effectiveness; and the related questions of what behaviours are desirable in board members is a complex question, and one which has received considerable attention in the corporate governance literature (Conger et al., 2001; Schmidt and Brauer, 2006).

But precisely how to determine board effectiveness remains a divisive issue (Petrovic, 2008); others have stated that the major challenge in studying board effectiveness is determining how to define and measure board effectiveness (Herman et al., 1997). This is problematic – if it is unclear what board effectiveness amounts to, then efforts to increase board effectiveness may fall short of the mark. Numerous studies, evaluate board effectiveness by taking a company’s financial performance as a proxy (see for example, Vafeas, 1999; Abdullah, 2004; Anderson et al., 2004; McIntyre, 2008). Such, an approach is widespread in the literature – and is arguably well grounded; if, as suggested the board has a significant impact on firm operations then the success of the firm should reflect the success of the board.

Yet, as highlighted above, it often appears that boards are effective – precisely until they are not.

Cornforth (2001) states that, in the western hemisphere there is an understanding that the governance of non-profit and voluntary organisations is highly problematic; with the effectiveness of governance mechanisms still being questioned. Determining board effectiveness for public sector boards can be seen as even more problematic than for their private sector counterparts. While the boards of private sector firms are principally concerned with the organisational objectives of profit maximization those of public sector firms often have less clear objectives – set by politicians which are difficult to measure, such as “raising educational standards” (Rose and Lawton, 1999: 81), resulting in a tendency to merely measure that which *is* measurable. Thus, if board effectiveness is understood as impacting on organisational performance (see above), and this is difficult to measure – then it seems improbable that organisation performance is to be a useful proxy for board effectiveness in the public sector. Rather than being a stumbling block this strand of thought provides evidence for the position argued for below: that those best able to determine what board effectiveness amounts to, and more importantly for the present research – what capabilities directors require – are the directors themselves. Indeed, this is another common approach – to make use of various stakeholders in a firm, and ask them to provide the evaluation of board effectiveness (see for example, Bradshaw et al., 1992; Herman et al., 1997). This approach is rooted in the social constructionist paradigm – there is no real board or board effectiveness, there are merely perceptions of the board and of effectiveness that can be offered by different stakeholders (Herman et al., 1997). Adopting such an approach is especially useful in the public sector context – where various stakeholders exist; and whose interest the board is supposed to serve.

Studies that examine board effectiveness (regardless of how it is conceptualised) fall into roughly two streams (Pearce II and Zahra, 1991; McNulty and Pettigrew, 1999; Dahya et al., 2002; Abdullah, 2004; Lam and Lee, 2008; Boerner et al., 2011). Some address issues which are easy to observe, measure and regulate from outside the organisation such as board structure and composition, while the other addresses issues that are harder to observe such as board dynamics and interpersonal relationships: and these are broadly the two sets of issues that boards face (Sherwin, 2003).

In what follows the issues of board structure/composition and diversity and their espoused relationship to board effectiveness are considered in turn.

2.4.1 Board Structure/Composition

Studies that focus on board structure/composition focus on three main areas: CEO duality, the number of executive directors to non-executive directors (EDs and NEDs respectively) and the diversity of the board, considering such factors as age, tenure, cultural background and similar (Eisenberg, 1998; Mak and Yuanto, 2002; Judge and Zeithmal, 2002; McIntyre et al., 2008). The result of the literature review reveals that studies of these factors show mixed results, suggesting, ultimately that board effectiveness is not solely influenced by structure/composition.

2.4.1.1 CEO Duality

CEO duality refers to the situation where one individual on the board occupies the role of both CEO and Chairman, and thus, has responsibility for both the operations of the company and the monitoring of its actions – through control of the board. Those scholars that favour the agency perspective (see Jensen and Meckling, 1976) of the role of the board see this as

detrimental, when the management have too much influence over both selection of board members, and the monitoring of the company there is little scope for challenging the actions of management (Abdullah, 2004), reducing independence and arguably creating a conflict of interest (Lorsch and MacIver, 1989). In such a situation there is no separation between control and management (Fama and Jensen, 1983); as Abdullah highlights the question then becomes "who watches the watchers?" (2004: 52). Indeed, much of the literature supports the view that the roles of CEO and chairman should be separated; and this is one of the principal recommendations of the significant Cadbury (1992) reforms in the UK. By contrast those who favour a stewardship perspective, argue that managers should be considered good stewards of the company and inherently trustworthy (Donaldson, 1990). In line with Lam and Lee (2008) this perspective views managers as being motivated by challenging work, and acting in self-interest which is tied up with the fortunes of the company. However, empirical evidence reveals little consensus.

Abdullah's (2004) quantitative study of the board of directors of over 1000 non-financial companies listed on the Kuala Lumpur Stock Exchange between 1994 and 1996 showed that around 80% of these companies adopted a non-dual leadership structure. The findings of the study reveal that CEO duality or non-duality is not related to firm performance.

Alternatively, Lam and Lee's (2008) quantitative study of 128 companies listed on the Main Board of the Hong Kong Stock Exchange in 2003 reveal mixed results. They found that CEO duality and accounting performance are both positively related in non-family owned firms, and negatively related in family owned firms. They suggest that ultimately there is no one best form of board leadership, but that contextual factors (such as ownership structure) need to be taken into account. Others such as Leblanc and Gillies (2003) argue that what is

most important is not the separation of the CEO and Chairman roles, but that the correct individual is selected to the Chairman position, whether they also act as the CEO or not.

Brickley et al (1997) suggest that a preference for CEO duality or non-duality both bring costs and benefits; the benefits being increased monitoring resulting from the separation of the roles, while the downsides include increased costs of supporting the two positions, possibility of incomplete information being shared between the two appointees. Ultimately the review of the literature reveals that is difficult to be prescriptive about leadership structure.

2.4.2 Mix of Executive and Non-Executive Directors

A second stream of the literature that addresses board structure/composition focuses on the independence of the board, by examining the ratio of EDs to NEDs. NEDs are not a homogenous group, as Ezzamel and Watson (2005) note, some achieve their positions on board due to some pre-existing relationship with the firm, such as being a former executive, an important customer, or supplier and so on. However, others achieve their position through appointment and have no pre-existing ties to the firm – and benefit only from the remuneration (if any) that they receive. Following Ezzamel and Watson (2005) the term NEDs is used to refer to this latter group of directors, unless otherwise stated.

As with the question of CEO duality, author's perspectives vary according to their perspective of corporate governance. Those who favour the agency perspective argue for a greater number of NEDs who act as detached outsiders, advising the board, monitoring activity and protecting shareholders. The need for such individuals is clear, as firms grow in size and business complexity, the direct monitoring of the firm and its activities becomes

difficult (Ezzamel and Watson, 2005); further, as highlighted below, advanced skills, experiences and knowledge (or more broadly capabilities) are required to understand and evaluate the decisions taken by boards – and this is an activity that most unknowledgeable outsiders would not be able to perform. By contrast, those in favour of the stewardship approach argue for a greater number of EDs who as knowledgeable insiders are well versed in the firm and its operations (Sundaramurthy and Lewis, 2003); and are thus better placed to provide advice, suitable alternatives and make decisions quickly without the need for approval from outsiders.

The perceived importance of the role NEDs are expected to play in ensuring independence can be seen in corporate governance reform in both the US and the UK. The Sarbanes-Oxley Act in 2002 suggested that Audit committees be composed of outside directors that have no other financial relationship or stake in the firm. In the UK the Cadbury Report (1992) recommends that boards have at least three NEDs (Dahya et al., 2002) and the Higgs Report (2003) recommends that at least 50% of the board (not including the Chairman) is composed of NEDs. Yet, it is not clear that these NEDs can perform their roles effectively. As Ezzamel and Watson (2005: 98) highlight, NEDs in the UK and US are now expected to undertake a dual role; they are expected to participate fully in board activity being as responsible for the formulation and management of strategy as their full-time colleagues, whilst being “primarily responsible for ensuring the quality and reliability of corporate information disclosures, keeping executives focussed on the generation of shareholder value, via the design and implementation of appropriate employment and remuneration schemes, and the disciplining of their executive director colleagues who appear to be underperforming”. As Keasey and Hudson (2002) highlight, if NEDs are also responsible for corporate performance then it is unclear how they can maintain independence – acting to increase corporate performance is a

role that requires working closely with EDs. As Leblanc and Giles (2003) note, social relationships, friendships and other forms of conflict do affect independence.

The central issue is whether it is possible to retain independence while undertaking this role. Director roles, independent or non-executive, have recently been studied on the assumption that boards are unable to have an independent voice. Reform in the USA and the UK has constituted the creation of the roles of the lead independent director (LID) and the senior independent director (SID), respectively. In order to guarantee the expression of an independent opinion, the government have initiated inquiries and recommended a template for the independent director role, (Higgs, 2003). Recently, the value of such prescription has been challenged in a study of UK board directors which has shown that the SID is as vulnerable to dysfunctional board dynamics as any other member (Kakabadse et al., 2009). Moreover, few scarce studies suggest that the NED's capability consists of acquisition of capabilities, and experiences such as functional skills, sector expertise, networking linkages, and mentoring and coaching competencies (Taylor, 2004), supported by an independence of mind. However, how NEDs react to stretching challenges and how board dynamics can enhance or inhibit the contributions of the board director require further investigations (Daily et al., 2003). A further concern of NED independence is offered by Vancil (1987) who notes that the CEO often has significant power and influence over the selection of NEDs. If the intention is to appoint those that are sympathetic to the CEOs vision and generally acquiescent, then whether the NEDs are judged as observably independent is of little importance. Yet, this is another point of contention – as Westphal (1999) highlights, CEOs who have close social ties to outside directors are more likely to seek advice from them; suggesting that close ties (which may reduce independence) may help NEDs to perform their role effectively.

The notion that NEDs increase independence and so firm performance is not a belief that is limited to those who prescribe corporate governance reforms. There is evidence that poor firm performance often leads to the appointment of NEDs to increase monitoring (Hermalin and Weisenbach, 1998) highlighting that those that sit on boards share the belief that NEDs have a worthwhile impact on monitoring and control. Further, following the Cadbury Report, firms in the UK appointed more NEDs, increasing board size (Ezzamel and Watson, 2005).

However, the degree to which the ratio NEDs to EDs is beneficial for performance is not clear from a review of empirical studies within the relevant literature. As with the issue of CEO duality, the issue is contested, and the literature is contradictory.

Alternatively, Kaplan and Minton's (1994) study of Japan finds that outside Director appointments increase after poor financial performance, and find that on average these appointments leads to a modest increase in firm performance – suggesting both a recognition that outside Directors are of benefit to board performance, and such appointments actually are beneficial. In addition, evidence gathered by Hossain et al (2002) in New Zealand finds that outside Directors also increase firm performance. Similarly, Pearce II and Zahra (1991) find that boards with greater numbers of outside directors have better financial performance than those with fewer.

McNulty and Pettigrew's (1999) study of over one hundred executives in the UK found that NEDs were able to influence strategic choice and the methods and process by which ideas were evaluated and developed. Further, NEDs influence on strategic choice was found to be moderated by the process of board meeting and the informal communications between

directors outside of the board room – highlighting the importance of interpersonal relationships and the ability to make use of interpersonal skills.

Hermalin and Weisbach (2003) found that outside directors have no significant impact on firm performance; further changes in board membership were associated with CEO turnover, changes in ownership structure and firm performance. The former, is arguably beneficial if CEO turnover occurs as a result of the perception on the behalf of the board of poor CEO performance. Further, Abdullah's (2004) aforementioned study reveals that board independence has no effect on firm performance.

Thus, it is unclear whether a board benefits from a greater ratio of NEDs to EDs, or, more specifically from observable independence. Since the independence of a director is generally used as a proxy, to highlight that these individuals are likely to act in the best interests of the firm, it can be argued that what is more important than meeting an observable test of independence is that they simply do act in the best interests of the firm. The importance of director ability and action is considered in section 2.5

Board composition also creates (and with the inclusion of new directors, changes) power relationships amongst directors (Ezzamel and Watson, 2005) – highlighting the importance of taking an OB perspective in understanding board effectiveness. It is well recognized that power has a significant effect on group dynamics and interactions (Mullins, 2007).

2.4.3 Board Diversity

The literature on board diversity is vast, but as with the other issues of board composition considered, the literature yields little consensus as to the importance of, and the most

preferable degree or type of diversity for increasing firm performance. The literature is mainly concerned with determining whether homogeneity of demographic characteristics (age, gender, tenure, educational background, and the like) is beneficial for board performance, again using firm performance as a proxy. This stream of corporate governance research can be traced back to Hambrick and Mason's (1984) seminal work that proposed the "upper echelon theory" which posits that it is only a few managers at the top of organisations – the dominant coalition (see, Child, 1972; Cyert and March, 1983) that have the most influence over decision making and organisational performance. Yet as Liang and Picken (2011) point out, this suggestion is not what made their work seminal, rather it is the methodology they proposed – that differences in observable and recordable characteristics in individuals will be reflective of social and cognitive differences. This view is partially supported; Liang and Picken's own study of 28 management teams, comprising 348 executives in the US found some evidence for theory; and prior research in the area supports the view (see for example, Miller, 1993).

There seems to be widespread support for the notion that homogeneity is preferable; the Higgs report (2003) also highlights the need for diversity amongst NEDs, suggesting that a selection of NEDs with different skills and abilities is preferable to a more homogenous grouping. The UK Department of Trade and Industry's (2004) publication "Building Better Boards" also argued for the benefit of diversity on boards, arguing that diversity in factors such as age, experience, skills, knowledge and cultural background provide greater prospects for creativity and capability – and that being able to draw on a wide range of perspectives will allow the greater anticipation of problems and better decision making.

However, empirical evidence is mixed. A recent study by Boerner et al (2011) considered TMT diversity (in line with other research) as the extent to which members are heterogeneous, focussing on age, organisational tenure, dominant education background and dominant industry experience. This longitudinal study made use of a final sample of 59 TMTs located in Germany from nine different industry sectors, the performance data, the diversity data from the year 2004 was compared with financial data for the years 2004-2007. Overall, it was found that diversity in TMTs is no guarantee of financial performance; but that diversity can be positive in the short-term while not being so in the long-term. They suggest that this may be because medium levels of longevity among a social group facilitates social integration and collective learning, whereas too much longevity leads to decreased outside communication and detrimental levels of team cohesion.

In a similar vein, McIntyre et al (2008) found limited evidence for their overall thesis that boards that are made up of directors with a diverse range of attributes (age, tenure, experience and board size) perform better. Their quantitative analysis of 1,678 board members on 173 boards listed on the Canadian S&P/TSX Index in 2001 yielded mixed results. They found that diversity among directors with respect to tenure and age was beneficial for firm performance, but only to an extent, after which firm performance decreases. In addition, they found that smaller boards are associated with better firm performance.

This is somewhat consistent with the position espoused by Judge and Zeithmal (2002), that larger boards are less efficient – reducing participation and group cohesion, while also making consensus harder to reach. Indeed, this is a common theme of literature on board diversity that has been carried out in different contexts: Mak and Yuanto (2002) studied boards in Singapore and Malaysia and found that larger board sizes were associated

negatively with firm performance; similarly a study of Finnish SMEs by Eisenberg et al (1998) reports the same relationship. In addition, Jensen (1993) argues that causes of poor governance include overly large board size and unskilled board members. Arguably, it is the latter that is most important, and it could be argued that it is not the size of the board that is important – but the abilities of the directors to deal with the dynamics of a large group; there is evidence for this, Hermalin and Weisbach (2003) found that increases in board size are negatively associated with decision making abilities and firm performance.

McIntyre et al (2008) also found that a high average of directors with outside interests negatively affected firm performance and this finding supports the view that directors need to be committed to their role (Leblanc and Giles, 2003) and have the necessary time to fulfil their responsibilities (Keasey and Hudson, 2002; Leblanc and Giles, 2003).

Yet, research by Young (2004), argues that social capital defined for their purposes as external director memberships i.e. whereby a board director sits on a number of other boards is of strategic value to firms. The study of 256 companies listed on the TSE in 2002 produced evidence that there is a positive association between Tobins Q and social capital, suggesting that who executives know is as important as what they know. The notion that social capital is valuable is seen in previous research; it has been suggested that directors sitting on other boards reduces uncertainty with respect to resource availability (Burt, 1980) and provides access to wider strategic information (Haveman, 1993).

Generally, diverse TMTs face many obstacles; the integration of individuals with different characteristics is difficult (Carson et al., 2004) and makes cohesion, communication and socialisation difficult (Jackson et al., 1992). Diverse TMTs have been associated with higher

turnover and absenteeism (Milliken and Martens, 1996). As a review by Hambrick et al (1996) points out – there is theoretical support for the propositions that diversity amongst TMTs can have both positive and negative effects.

Arguably, the issue is not one of whether diversity is positive or negative per se, but rather of whether board members, can deal with diversity and realise the potential benefits. There is some evidence that sensitivity training can help – but again, the results are mixed (Flynn, 1998). That diversity in groups brings challenges and conflicts is clear (Mullins, 2007); but so too do the everyday operations of the board; the following section considers board dynamics.

2.4.4 Board Dynamics and Director Capabilities

Despite the elusive nature of board effectiveness (McIntyre et al., 2007); directors are in a crucial position to significantly impact firm performance (Sonnenfeld, 2002). It has been posited that in practice “directorial competence and board effectiveness are interrelated” (Coulson-Thomas, 1994: 34) and it is argued that competence requirements for directors stem from what is necessary to improve the operation of the board and what is needed to complement the attributes of colleagues, and that board effectiveness can be affected by the strengths and weaknesses of individual members perception. Furthermore, as Sherwin (2003) notes, although the board shares the responsibility for overseeing the achievement of its goals, directors must take responsibility for their role in the company’s success (Clarke, 2005).

However, despite this crucial role, there is evidence to suggest that directors often lack the requisite competences to undertake the responsibilities and duties associated with their

position (Norburn and Schurz, 1998). Thus, they may act to limit board effectiveness through personality conflicts, incompatibility, lack of skills and knowledge, and differences in attitudes, motivations and commitment (Coulson-Thomas, 1994).

Numerous authors highlight – or imply, that boards can be considered as any other small group within an organisation (see for example, Conger et al., 1998; Leblanc and Gillies, 2003; Petrovic, 2008) and thus can be seen as being susceptible to, and influenced by those factors that affect such groups. The theorists that follow this line of inquiry argue that what makes boards effective is not board composition, or mechanisms of corporate governance (although these clearly have some impact) but how directors act as a part of this social grouping – being effective in their roles (Leblanc, 2001; Pye and Pettigrew, 2005). The argument that is central is that it is impossible to have an effective board – without an effective director (Leblanc and Gillies, 2003).

The importance of board member effectiveness has empirical support. For example, Cornforth (2001) in his quantitative postal survey of 737 charities registered in England and Wales suggested that the two main inputs presented by board members are skills and experience they are able to bring to their role and the amount of time they are able to devote. While other variables in the study included board structures, processes and outputs, the important conclusion for the present work is that when taken together, having the right mix of skills and experience provided a positive variance in board effectiveness, as did the importance of board members being able to resolve conflicts between themselves constructively. A different perspective on board effectiveness is presented by Conger et al (1998); their study argues that for dealing with complex matters such as CEO appraisal,

board effectiveness is determined by five factors: knowledge, information, power, motivation and time.

Table 2.2: Conger et al.'s Five Determinants of Board Effectiveness

Determinant	Description
Knowledge	<p>The experience and knowledge of the board must match strategic demand</p> <p>The board should have a mix of complementary skills and backgrounds</p> <p>An optimized mix of expertise from each individual director</p>
Information	The correct quantity and quality of information delivered in a timely fashion from both internal and external stakeholders
Power	An effective board requires the correct degree of independence and power to hold the CEO accountable for performance and to make key decisions
Motivation	Incentives should be in place that motivate directors to perform well – with a preference for a long-term orientation for financial reward
Time	Directors require sufficient time to consider, review and make decisions

Source: Adapted from Conger et al (1998)

While their discussion is focussed on the task of CEO appraisal a more general reading of the work provides a useful prescription for board effectiveness in general (see Table 2.2):

Considered from the perspective of small groups it is clear that many factors will affect the social relationships between members; which in turn affect behaviour (Mullins, 2007). It is evident from the preceding sections that the corporate governance mechanisms that are undertaken by boards and board composition (CEO duality, ratio of EDs to NEDs and diversity of members) lead to issues at the social and group level. In this section these are

considered in more detail – and the capabilities required by directors to deal with, mitigate or maximise these issues are considered.

In what follows, the term *capabilities* is used as an umbrella term to cover the qualities, competencies, skill and experiences required in members. Further, a distinction is made between what the researcher has termed *enabling capabilities* (EC), such as time and motivation that are necessary for the operation and the enactment of *primary capabilities* (PC), such as interpersonal communication skills, creating trust, managing conflict.

2.4.4.1 Enabling Capabilities: Motivation

Studies highlight that directors require sufficient motivation to perform well, and in the interests of the firm (Conger et al., 1998; Sherwin, 2003; Roberts et al., 2005). The degree to which directors are motivated, will of course vary – Conger et al (1998) highlight the importance of providing financial incentives; whereas those in the public sector may be simply motivated by the notion of working in the interest of the public good (Rose and Lawton, 2008). The general importance of motivation for individuals engaged in work tasks has a long history; if defined generally as the impetus to act (Mullins, 2007) it is clear that even those directors that may have the capabilities described in this section are unlikely to be effective if they are unwilling to enact those capabilities in the pursuit of firm performance. Indeed, it is well established that no amount of ability, without motivation will engender performance (for example, see the review by Huczynski and Buchanan, 2007). Thus, the researcher proposes the following:

EC1: Directors must be motivated to perform well and in the interests of the firm

2.4.4.2 Enabling Capabilities: Time

The importance of directors having sufficient time to undertake their duties is highlighted by Conger et al (1998). Further, Keasey and Hudson (2002) suggest that this is even more important for NEDs, who have other commitments, and act as part-time members of the board (Ezzamel and Watson, 2005). Yet, it is difficult to be prescriptive about the amount of time required; for directors operating on primarily passive boards (Brunninge and Nordqvist, 2004) little time may be needed; whereas those operating on boards which have a monitoring and control, or service roles (Forbes and Milliken, 1999) may need more time to perform their duties. Despite the inability to be prescriptive it is evident, *prima facie* that directors require sufficient time to perform their tasks, thus:

EC2: Directors must have sufficient time to perform their duties

The researcher contends that these two ECs are together necessary but not sufficient for director effectiveness (and so board effectiveness) as without the desire to act, and the time to do so directors will be unable or unwilling to put the PCs necessary for effectiveness to use.

2.4.4.3 Primary Capabilities: Managing Conflict

Conflict can be viewed from different perspectives (Mullins, 2007); and need not be negative; when conflict is seen as negative it is expected to cause frustration, friction and wasted energy (Drucker, 1989). This is one of the oft reported downsides to a diverse group; while conflict presents difficulties the establishment of group norms, and processes for effective working can help reduce conflict and promote effectiveness amongst teams (Tuckman, 1965).

Yet conflict, particularly task conflict can be viewed as positive; Taffinder (1998) argues that those firms that stimulate conflict about the best way to approach tasks are likely to perform better, although it is recognized that there is likely to be an optimal level. Task conflict is common amongst boards (Petrovic, 2008). Such conflict is most likely to arise when directors take on a monitoring and control role, or are offering advice; offering, evaluating and eventually selecting from different ideas requires that some viewpoints are necessarily found to be lacking.

There is a greater chance for task conflict amongst heterogeneous boards, as members bring different skills, experiences, benefit from different industry and education backgrounds and so have different perspectives which may lead to dispute. Some see this, as beneficial – enhancing creativity (Renton, 1999; DTI, 2004) and improving monitoring and control (Forbes and Milliken, 1993).

Whether one chooses to see conflict as positive or negative, it is likely to be unavoidable; since conflict can be managed (Thomas, 1976; Hatch, 1997; Robbins, 1998) the researcher proposes:

PC1: Directors must be able to manage conflict

2.4.4.4 Primary Capabilities: Acting independently

While independence (as highlighted in previous sections) may be of importance; what is likely to be of more importance is that directors actually act independently – that is they act in accordance with their own beliefs and preferences and do not feel constrained by others such that they cannot act freely. This is often reported in the literature, for example, Conger

et al (1998) highlight that directors must have sufficient power to question and challenge the CEO. Jensen et al (1993) note that directors must be willing to speak; have an independence of mind and be active (Roberts et al., 2005) and act independently (Turnbull, 2000).

Numerous, factors may impede the ability of directors to act in such a fashion. One of these is group homogeneity: while heterogeneous groups may face issues of conflict, homogenous groups may face issues of "group-think". There are benefits to homogenous groups; such groups are likely to develop interpersonal trust more easily and to interact more effectively with each other (Hambrick et al., 2001; Westphal and Bednar, 2005). Yet, when groups become overly homogenous, they are susceptible to group-think; a phenomena whereby members of a group feel the need to avoid conflict, and so acquiesce with preferred decision alternatives without proper scrutiny (Janis, 1982). Such an occurrence clearly impacts on the directors ability (and the board as a whole) to perform its control/monitoring and advisory roles.

Similarly, board culture, understood broadly as the basic beliefs, values and assumptions shared by a group that result in a pattern of behavioural norms (Schein, 1972) can affect director and board effectiveness. As Jensen (1993: 863) highlights: "Board culture is an important component of board failure. The great emphasis on politeness and courtesy at the expense of truth and frankness in boardrooms is both a symptom and cause of failure in the control system". Thus, directors must be able to challenge, or shirk board culture – even at the expense of social reprisal; there is evidence that when group norms are rejected, individuals are likely to be ostracized (Goffman, 1959; Sherif, 1963) and the violation of group norms can lead to wider conflict (Ito and Botheridge, 2010) – again highlighting the importance of directors being able to manage conflict. Furthermore, Jensen (1993) highlights

that directors may wish to avoid reprisals from powerful CEOs, who resent any attempt at dissent. Therefore, the ability to act independently may be the most challenging capability required of directors but it is also arguably one of the most important; if directors are to add value to the board, clearly they must be heard. Based on the above the researcher proposes:

PC2: Directors must act independently

2.4.4.5 Fostering Trust and a Perception of Professionalism

The literature highlights the importance of trust; CEOs are more likely to trust those that they have social ties to and seek and take on board their advice (Westphal, 1991); trust has been said to play a large part in board room dynamics (Roberts et al., 2005); and helps to facilitate open communication between directors and a willingness to share concerns (Westphal and Bednar, 2005). In addition, Sherwin (2003) highlights the importance of directors being perceived as professional by their colleagues. The issues of trust and the perception of professionalism are intertwined under certain theoretical perspectives.

The seminal paper by McAllister's (1995) posited a two factor theory of interpersonal trust. He distinguishes between affect based trust which is akin to a warm personal relationship, almost a friendship between individuals and cognition-based trust, which is based on the perception that the other is competent and reliable. Further, recent studies in the field of knowledge management (see, Holste and Fields, 2010) have provided empirical evidence that an individual's desire to share ideas with another and make use of those ideas received is moderated by levels of affect and cognition based trust. Trust need not develop organically it can be actively created (Webber, 2002; Huxham and Vangen, 2005). In addition, as Goffman (1959) notes, individuals in social settings make use of the behaviours that are associated

with their profession; they play the role expected of them by their audience. In doing so, they have the opportunity to adopt behaviours, artefacts and so on that convinces their audience of their authenticity and their suitability for their role they are playing, in other words: their professionalism. Ultimately, the perception of professionalism as a by product of presentation is something that can be managed.

Since, interpersonal trust can be created and the perception of professionalism can be managed, the researcher proposes:

PC3: Directors must be capable of fostering a sense of trust and a perception of professionalism

2.4.4.6 Expertise, Skills and Strategic Awareness

Barrick et al (1998) highlight the importance of selecting directors who can contribute meaningfully to the collective effort of the board, and judge these to be those with the appropriate personality, knowledge, skills and abilities. Further, it is commonly highlighted in the literature that directors require the necessary skills and expertise to perform their roles (Conger et al., 1998; Cornforth, 2001; Leblanc and Gillies, 2003; Taylor, 2004; O'Higgins, 2009). It is difficult to be prescriptive about the functional skills and expertise that directors need – as this will necessarily depend upon the particular roles and tasks they are required to perform.

Furthermore, directors play an important role in strategy (McNulty and Pettigrew, 1999; Nadler, 2004; Ezzamel and Watson, 2005) providing guidance, advice and monitoring the activities of the firm. To perform this role requires an understanding of the business of the

firm, and of its external business environment (Johnson et al., 2008) and these are capabilities often highlighted as being of importance for directors (Coulson-Thomas, 1991; Pye and Pettigrew, 2005).

Thus, the researcher proposes:

PC4: Directors require the requisite skills and expertise to perform their roles and tasks; and

PC5: Directors require strategic awareness

2.4.4.7 Communication

The importance of communication skills is evident in much of the literature (Kakabadse and Kakabadse, 2001; Nadler, 2004; Huse, 2005) as when directors are able to communicate openly, it is possible to discuss and entertain multiple perspectives and engage in a dialogue that is underpinned by constructive conflict. Further, communicating openly has been found to increase trust (Sherwin, 2003) and as highlighted it is likely to require trust for its occurrence (Holste and Fields, 2010) suggesting that the relationship between communication and trust is not uni-directional.

Communicating openly, may also require the shirking of board culture. What is deemed to be acceptable communication (tone, content etc) is based to a large extent on the social norms and values of a given group (Goffman, 1959). Therefore, it is not always easy for directors to communicate openly, especially if one fears reprisals (Jensen, 1993). Despite this when directors operate in a monitoring and control, or supervisory role – communicating openly is

clearly of importance: an independence of mind is of no benefit unless it is vocalized. Thus, the researcher proposes:

PC6: Directors require communication skills

2.5 EXPLORATORY FRAMEWORK

It is evident that correct identification of the relevant areas of the research is crucial for conducting this research. The review of the literature in the field of role theory, in particular, has assisted the researcher to better understand the diversity views and concepts available to explain the behaviour of the participant directors. Thus, based on the above critical discussion it has been argued that the best predictor of board effectiveness is likely to be director effectiveness and a number of capabilities have been drawn from the literature, resulting in an exploratory framework (see Figure 2.3 below) that is to be used to guide data collection:

It must be noted that the aforementioned capabilities form the bases for exploration into the director's perception and views on the extent to which these and other factors may or may not influence their and the boards effectiveness. As pointed out earlier the cultural forces including Islamic values system have immense influence on the way members of the board think and value their role when engaged in board operations (Sameh, 2011). Thus, the proposed exploratory framework constitutes a solid basis from which to gain a better understanding of the board members and their need for required capabilities.

Figure 2.3: Exploratory Framework of Key Capabilities Necessary for Improving Board Effectiveness

Enabling Capabilities

- Motivation
- Time

Required for ->

Primary Capabilities

- Manage conflict
- Act independently
- Fostering interpersonal trust and a perception of professionalism
- Relevant expertise and skills
- Strategic awareness
- Communication skills

Source: Adapted from Holste and Fields, (2010); Ito and Botheridge, (2010); Petrovic, (2008); Analoui (2007); Huczynski and Buchanan, (2007); McIntyre et al., (2007); Clarke, (2005); Leblanc, (2001); Pye and Pettigrew (2005); Keasey and Hudson (2002); Cornforth (2001); Kakabadse and Kakabadse (2001); Conger et al (1998) Coulson-Thomas, (1994)

2.5.1 The Applicability of Determined Capabilities to Abu Dhabi PSBs

In the above section a variety of literature has been consulted and reviewed to determine two sets of capabilities that board directors require to be effective. Yet, as Coulson-Thomas (1994: 33) highlights “what is required... [for a competent director]...can depend very much on the situation, circumstances, context and aspirations of the particular company” and it may therefore be unwise to prescribe these for each board.

In addition, the majority of the prescribed qualities originate from studies with a predominantly Western perspective (Al-Meer, 1996), and it is unclear therefore whether these qualities will be of equal importance for directors on PSBs in Abu Dhabi.

Furthermore, while the literature reveals little consensus as to the importance and appropriate corporate governance mechanisms (that constrain director behaviour), and board

composition; it has been argued throughout that these will impact upon the director behaviour, and thus effectiveness. Thus, the capabilities are proposed only tentatively; it is recognized that organisation, and regulatory context may influence the degree to which these capabilities are desirable and necessary in the context of PSBs.

Moreover, examination of single factors such as capabilities, governance competences or protocol in Abu Dhabi, without considering Islamic work ethic (Yousef, 2001), may not provide a holistic picture of what influences the behaviour of the directors (Analoui, 2007). There is then a further need and necessity to explore needed competencies of the board members for increased effectiveness and improved performance, as they are (Analoui et al., 2010), in context of social and civil service corporation realities in Abu Dhabi, dominated by Islamic values and beliefs (Abuznaid, 2006; Sameh, 2011).

Moreover, the present research philosophical stand in so far as the methodological needs are concerned, does not rely purely on the perception, though extremely important, rather it adopts "realism" as a position which considers the contextual realities with which board members work. This is also in line with Analoui (2007) "Choice Model" which emphasises on the effectiveness of the senior management, and indeed the quality of the decisions made, as being influenced by both internal and external factors. The adoption of realism includes tangible organisational realities such as boards' instructions, operational rules and regulations and legislative recommendations, as well as the cultural and traditional values (see above) do influence, to lesser or greater extent, the behaviour of the board members in PSBs and therefore will be considered when collecting relevant data from the field (see chapters three and four). The proposed research aims to fill this gap within the relevant literature.

2.6 SUMMARY

Within this chapter first the literature on the concept and theories of 'role' have been explored in order to highlight the sociological origin and its, attributes and its relevance for understanding organisational behaviour in particular the board members. The two major perspectives namely structuralism and interpretivism have been critically look at and various concepts such 'role set', 'role conflict', 'role expectation', 'role ambiguity' and more importantly the concepts of 'role taking' and 'role making' have been elaborated in some details. However, it was illustrated that neither of these perspectives can fully explain the behaviour of the directors as they are therefore, it was suggested that an integrative approach would better explain the behaviour of the board members since it also includes the analysis of the structure and its influences on the board members behaviour and ultimately their effectiveness.

The second part of the review, focused on different perspectives of corporate governance, board effectiveness and the capabilities required by directors to increase board effectiveness have been critically considered.

The discussion on perspectives of corporate governance examined agency theory, stewardship theory, stakeholder theory and managerial hegemony. Following from this discussion it was concluded that the precise role of the board – that is, what board members should and will actually do will be to a large extent dependent on the way in which their role is conceived and presented to them; which will depend in part on the socio-historical context of the firm and the external governance regulations that prescribe both what behaviours are possible and desirable. Ultimately, it was argued that to be prescriptive about the role of the

board and how corporate governance mechanisms should operate is difficult – these matters are determined largely by the philosophical position adopted by the researcher, and will be influenced by the socio-historic context of the firm.

The review of the literature on board effectiveness concluded that board effectiveness is difficult to define. The key question for those scholars that wish to examine board effectiveness is how board effectiveness it is to be defined and measured. Two streams of literature were discerned: one makes use of firm financial performance as a proxy for board performance while the other, adopting a social-constructionist or similar philosophical positions holds that the notion of the “board” and of “effectiveness” are social constructs, and thus cannot be investigated independently of the beliefs, values and perceptions of those who create and continually re-create, and are affected by those constructs. It is the latter position that the researcher adopts, in part due to philosophical considerations but also because the empirical work that takes financial performance as a proxy yields little consensus among researchers – providing little hope that further work undertaken in this vein will be of discernable value; arguably it would provide merely a little more evidence for a deeply contested position. The existing research on board effectiveness places great emphasis on matters of structure and composition and the empirical studies that examine such matters focus mostly on the issues of CEO duality, the ratio of EDs to NEDs and board diversity. The findings of these studies are mixed with no real consensus being found.

Previous researchers, who were similarly dissatisfied with the examination of composition and structure, to explain board effectiveness have argued that the most important factor is the directors and the contribution that they make. This strand of the literature highlights that directors may lack the requisite competencies to undertake their roles, and that many of the

problems faced by directors are due to issues of group-dynamics, such as a lack of interpersonal trust, an inability to manage conflict, group think, and difficulties in communication. Based on a review of this literature the researcher has created an exploratory framework consisting of eight key capabilities for effective board of director performance. This exploratory framework is to be used as a basis for data collection (see chapter 3).

The importance and relevance of the above review have been reflected in the discussions in chapter three, analysis of the findings, and their discussions in subsequent chapters. The acquired knowledge and understanding of the various positions of the researchers and theorist in the above fields of enquiry without the doubt have assisted the researcher to identify the relevant issues and providing explanation of the directors' behaviour and effectiveness properly. It is therefore not surprising to see references being made to the above literature in future discussions and chapters. This is done to ensure that the findings of this research have also been substantiated and supported by the current literature.

The next chapter considers the methodological issues and presents the research design adopted in this study.

CHAPTER THREE: METHODOLOGY AND RESEARCH APPROACH

3.1 INTRODUCTION

This chapter takes a constructive view of the methodology and research design which has been adopted for this research. Thus, it considers three issues; the philosophical background to scientific or methodological issues; research design, and finally the methods or techniques that have been used for generating and analyzing relevant data in order to achieve the aims and objectives of the present study. Robinson aptly argues that "In social science it is very important to collect data, if there is no data there will be no research project. Once a researcher has data, the next step will be data analysis and interpretation" (2002: 385). One of the central arguments of this thesis is that improving effectiveness of the board will undoubtedly have effect on the organizations' performance and effectiveness which in turn, would enable the senior management to achieve the national economic goals. This is in line with one of the five features considered to characterize the antecedent of successful research - that is real world values. Hence a problem arising from the field ought to lead to tangible and useful ideas (Robson, 1993; 2002). However, it must be also acknowledged that the corporate board is comprised of senior management who are invariably influenced by the constraints, challenges and opportunities arising from the contextual and environmental factors as well as the influences of the actors, peers, colleagues, and stakeholders, such as shareholders, at play in order to understand the research setting (Analoui, 2007). The ultimate aim however is to enhance the effectiveness of the board members. This exploratory research attempts to gain a deeper understanding of how board members view their own, others and ultimately the effectiveness of the board on which they serve. In this respect, the development of the ideas and construct has emerged from data as oppose to data being used to test or confirm a

specific theoretical model and hypothesis (Hussey and Hussey, 1997). Therefore this research will take an inductive (as oppose to deductive) and qualitative grounded approach.

This chapter has been organized into seven sections. Immediately following this introduction, the aims, objectives and the purpose of the research are discussed. The third section examines the concept 'research design' including research paradigms, positivism, phenomenology, quantitative-qualitative debate in the literature, and the values of adopting realism for the present research. The fourth section is concerned with the important issue of research design, the use of multiple case studies and theoretical saturation are discussed in some length. The fifth section introduces the data collection methods, the choice of interviews, use of secondary data, process of data analysis, and reflection on how the data was collected and analyzed. The next section describes the quality of research and discusses the issues of validity, reliability and the ethics of the research. Finally, section seven presents the conclusions reached.

3.1.1 Research aim, questions and objectives

In order to better understand the methodological choices made for the present study, it is important to reiterate the main aims and research questions which this study intends to answer. Since the performance of directors significantly impacts the effectiveness of the board, there is a need for an in-depth investigation into what constitutes board effectiveness. This provides both the direction as well as flexibility to explore the perception of the members without limiting the scope of the investigation. The aim of the present research is to explore the factors and influences that contribute to the increase the effectiveness of PSBs. It encompassed the exploration of the various factors and contributions as perceived by board

directors, including their own capability requirements for the board effectiveness, in context of the organisational, socio-economic and cultural realities of Abu Dhabi, UAE.

Thus the main research question is;

What factors and influences contribute to the effectiveness of the board?

The following sub questions could be of help to answer the above main question.

- What are the existing views and perspectives on board effectiveness and directors capabilities?
- Do the personal characteristics of the board members influence their performance?
- How do dynamics of the board members interaction influence the board effectiveness?
- What are the present demands, constraints and availability of choices that affect the performance of directors on PSBs?
- What are the board of director's capabilities and their effect on board effectiveness?
- Can these findings provide a basis (or not) for enhancing the capability of board members and effectiveness of the PSBs boards within the Abu Dhabi context?

3.2 PURPOSE OF RESEARCH

Social science research serves many purposes; the most common and useful are; *exploration, description and explanation*. Exploration is particularly important in the early phases of research to generate ideas about the phenomena under study before additional research can be made (Johnson and Christensen, 2008). According to Babbie and Benaquisto (2002) exploratory studies are attempts to:

- Satisfy the researcher's curiosity and desire for better understanding,

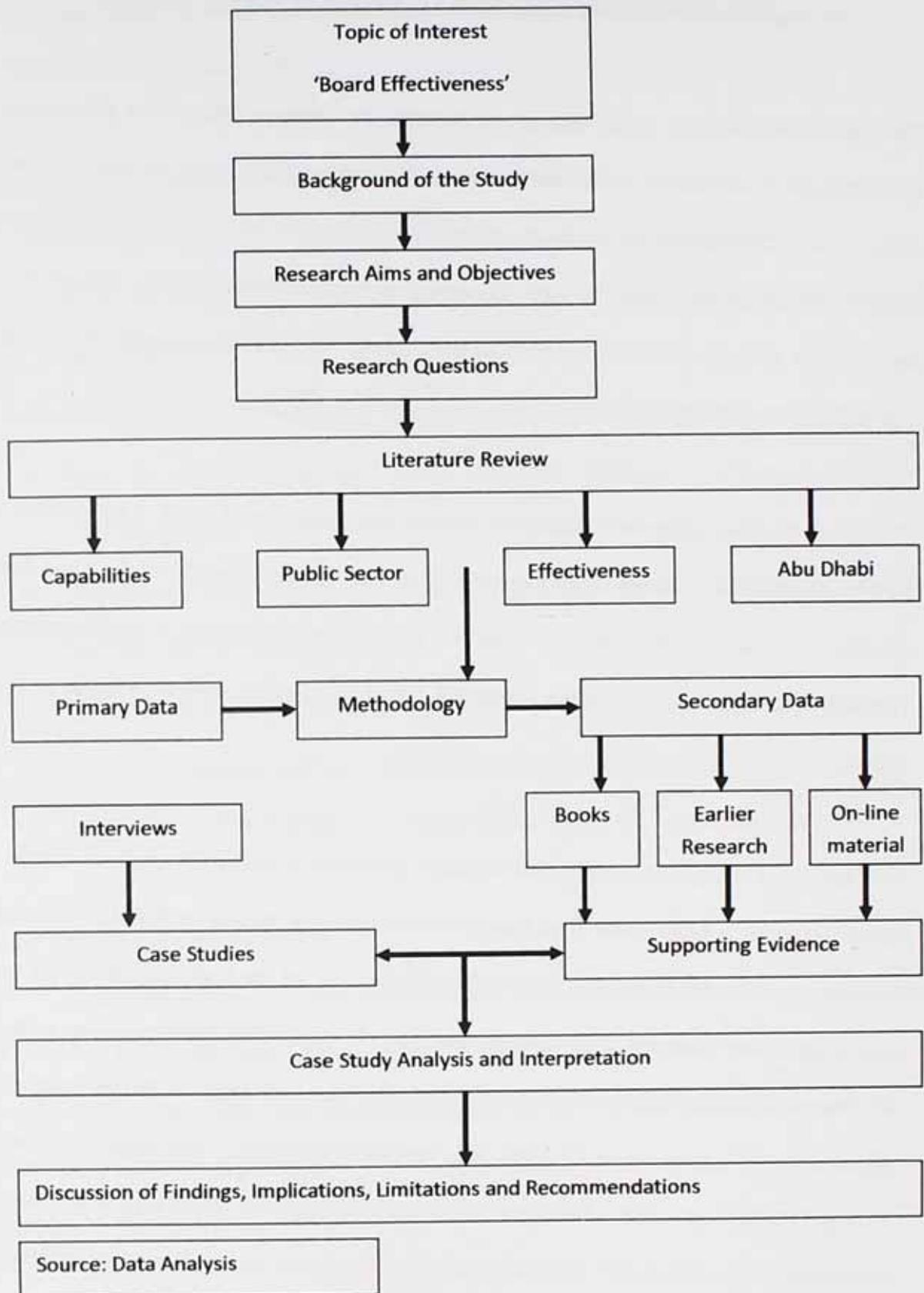
- Test the feasibility of undertaking a more extensive study, and
- Develop the methods to be employed in any subsequent study

The descriptive purpose is an attempt to describe the characteristics of a phenomenon, situations and events which have been observed by the researcher during the course of study (Johnson and Christensen, 2008). Description is believed to be one of the basic activities in research which might simply involve observing a phenomenon, recoding the events, or reporting the attitude and behaviors of those under study. The qualitative studies, by and large aim primarily at description.

Whilst descriptive researches attempt to answer the questions of what, where, when and how, and explanatory studies usually attempt to answer the question of 'why' a phenomenon operates as it does (Babbie and Benaquisto, 2002); Kervin suggests a fourth purpose of research- Evaluation studies which assess the effect of a certain action, program or policy (1992).

The nature of the present study (the research question) is primarily exploratory and to a certain extent it is at the same time descriptive because it is aiming to find out what factors, influences, and components are behind the effectiveness of the board members. Of course, one of the main objectives of the present research is to explore the board members perception of what constitutes 'board effectiveness' and how this can help to further increase and improve the effectiveness of directors who are board members. According to Hussey and Hussey (1997), exploratory studies are conducted into situations where very few or no earlier studies have been conducted. The main purpose, it is argued, is to seek out new insights, ask

Figure 3.1: Research Process



questions and assess the phenomenon (Adams and Schavaneveldt, 1985). As indicated in chapters one and two, the issues of board effectiveness have never been explored in the public sector in Abu Dhabi, UAE. Of course, the explanatory research is much less structured than other forms of research. It primarily relies on interviews and case studies (Hussey and Hussey, 1997; Robson, 2002).

3.3 RESEARCH PROCESS

Robson (1993) argued that the key research issues must be addressed before coming to the central point of considering whether the researcher should, for example, administer questionnaires or conduct interviews. Consequently, Saunders *et al.* (2000) proposed a research process comprising five aspects ranked in order of importance: research philosophy, research approaches, principles of research methodologies, time horizons and data collection methods (See Figure 3.1).

3.3.1 Research Philosophy (Paradigms)

A research paradigm is the basic set of beliefs that guide human research actions (Easterby-Smith *et al.*, 2002). It deals with underlying assumptions concerning four main research concepts. These include axiology, the role of values in enquiry (biased vs. unbiased), ontology (the nature of reality), epistemology (the relationship of the knower to the known) and methodology (the best means to arrive at knowledge about the World). Thus, method is viewed as individual techniques for data collection and analysis. In this regard, the researchers' ontological assumptions affect the researcher's views of the world and what he or she conceives as real (Blaikie, 1993). Epistemology concerns the nature of knowledge and how to come to know the "reality" (Healy and Perry, 2000). It is argued that whilst

ontological perspectives shape the epistemology beliefs in terms of how knowledge of reality develops (Blaikie, 2000), both are influenced by axiological and methodological assumptions (concerning the overall research process) (Johnson and Duberley, 2000).

Methodological literature also suggests that there are two dimensions on which assumptions are to be made about the way the social world can be investigated. The first dimension relates to 'the nature of society' and the second to 'the philosophy of science'. The philosophy of science dimension deals with the analytical and methodological approaches of 'the logic of enquiry' or 'how new knowledge is generated' as one researches into a social phenomena (Blaikie, 2001; 1993). According to Creswell (2003: 5), 'philosophically, researchers make claims about what is knowledge (ontology), how we know it (epistemology), what values go into it (axiology), how we write about it (rhetoric), and the processes for studying it (methodology). This suggests that the nature of social reality has ontological, epistemological, methodological and methods dimensions or elements. The opposing ends of these grounds of the philosophy of science are basically rooted in two major intellectual traditions: subjectivist and objectivist (Burrell and Morgan, 1979: Smith, 1998; Esterby-Smith et al, 2001: 28)

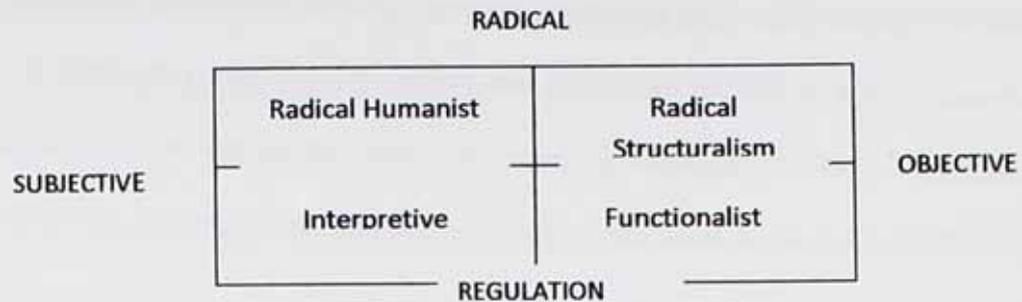
On the ontological level, the objectivist assumes that the essence of social phenomena exists independent of our perception; thus indicating the 'realist' approach, that knowledge is real. On the other hand, the subjectivist assumes that reality exists only in name or is a product of the mind; hence 'nominalist'. With regards to epistemology, the objective strand assumes knowledge to be hard, concrete and tangible. The subjectivist takes an anti-positivist stand, that knowledge is not concrete; it is intangible and can only be experienced (Bryman, 2000).

According to Burrell and Morgan (1979), on the models of human nature, the objectivist assumes that their environments and situations condition the actions and behaviour of people. The opposing view is that an individual has a free will and acts voluntarily in any social circumstance. Objectivist assumptions concerning methodology are therefore nomothetic (the use of scientific method) whereas the subjectivist assumes an ideographic methodology.

Based on the above expositions Burrell and Morgan have proposed that social theory can be conceived in terms of four key paradigms based upon different sets of 'meta-theoretical assumptions' about the nature of social science and the nature of society. In their view, assumptions about the nature of science can be thought of in terms of the 'subjective-objective' dimension, and assumptions about the nature of society in terms of a 'regulation-radical change' dimension. These two dimensions define four paradigms: *functionalism, interpretive, radical humanism and radical structuralism*, (See Figure 3.2 below). Creswell (2003:5) prefers to call it four schools of thought about knowledge claims: *post-positivism, constructivism, advocacy or participatory, and pragmatism*.

Figure 3.2 illustrates the four paradigms. The two quadrants above indicate the radical change theory of society, that society is radically changing and therefore always in conflict. The two quadrants below represent a society that is orderly with unity and coherence. The other vertical columns to the left and right respectively are the subjective-objective aspects of the philosophy of science in social studies. In the view of the authors, the paradigms define one's mode of theorizing and reflect one's position with regards to the four basic sets of assumptions about the nature of the social world and the way it may be investigated.

Figure 3.2: Four paradigms for the Analysis of Social Theory



Source: Burrell and Morgan (1979: 22)

It can be argued that while Burrell and Morgan's (1979) framework has quite useful implications for the understanding of the nature of organizations and different forms of organizational reality, its utility is contingent upon the 'conceptual scope' and 'substantive content' as well as the particular social context within which such a 'multi-theory' could be applied (Kamoche, 2001: 68).

Burrell and Morgan's sociological analysis of organizations has been criticised by a number of people. Kamoche, (2001) has questioned the justification for dichotomizing the vast intellectual terrain into 'four paradigmatic enclaves'. He contends further that by alluding to 'regulation' and 'radical change' Burrell and Morgan seem to be implying the issue of 'dualism' through the object-subject trap.

Many believe that social reality is the product of process involving a continuous series of subjective and objective moments. To Giddens (2004), it is the moment of making and re-making of social practices using rules and resources. Giddens' theory of structuration shows how the subjective and objective social realities are integrated in a 'duality of structure'. He examined the duality of structure in terms of how social structures are both constituted by 'human agency', and yet at the same time are the very medium of this constitution (Giddens,

1979; Blakie, 2001; Kasperson, 2000; Bryant and Bell, 2007). The relevant themes of structuration theory including, the social systems linkage of multiple actors or agents, rules and culture, resources and power would be explored where appropriate in the study. They appear to complement one's attempt to understand and interpret how individuals and/or collective actors constitute, transform and reproduce the structural elements for the benefit or otherwise of society. This is an important point. Research paradigms cannot be considered in isolation from influencing factors such as dominant cultural values and institutions such as religion. This is particularly relevant to the present investigation. As argued earlier, the culture of Abu Dhabi and the influence of Islamic values, do affect the methodology and the nature of the way directors of the public sector boards describe the reality as they perceive. Kamoche (2001) when discussing research in an African context, has suggested broadening such intellectual thinking and networking to include "...the nature of social relations at the interpersonal and institutional levels and their implication for achieving change in society" (Kamoche, 2001: 77).

3.3.1.1 Positivism and Phenomenology: The differences

Another similar and useful dichotomy is that two views concerning research philosophy can be seen as dominating the literature. These are positivism and phenomenology (Denscombe, 2003). Positivism is "an approach to social research which seeks to apply the natural science model of research to investigations of the social world. It is based on the assumption that there are patterns and regularities, causes and consequences in the social world, just as there are in the natural world. These patterns and regularities in the social world are seen as having their own existence - they are real" (Denscombe, 2003: 299). The aim of positivism is therefore to discover the patterns and regularities of the social world by using the kind of scientific methods used in the natural sciences (Denscombe, 2003). Hence, positivists are

“working with an observable social reality and that the end product of such research can be law-like generalisations similar to those produced by the physical and natural scientists” (Remenyi *et al.*, 1998: 32). A researcher in this tradition assumes the role of an objective analyst, making detached interpretations about those data that have been collected in an apparently value-free manner with an emphasis on a highly structured methodology to facilitate replication (Denscombe, 2003) and quantifiable observations that lend themselves to statistical analysis (Saunders *et al.*, 2000). The assumption is that “the researcher is independent of and neither affects nor is affected by the subject of the research” (Remenyi *et al.*, 1998: 33). As it is shown below this position was far removed from the assumptions of the philosophical position based on which this research is designed.

Alternatively, phenomenology argues that the social world of corporate or public sector management and governance is too complex to lend itself to theorising by defining ‘laws’ in the same way as the physical sciences, whereby insights into this complex world are lost if such complexity is reduced entirely to a series of law-like generalisations (Saunders *et al.*, 2000). Thus, phenomenology is an approach to social research which has been useful as an umbrella term covering styles of research that do not rely on measurement, statistics or other aspects generally associated with the scientific method.

In direct contrast to positivism it is seen as an approach that emphasizes subjectivity, description, interpretation and agency. Phenomenology deals with people’s perceptions or meanings, attitudes and beliefs, feeling and emotions” (Denscombe, 2003: 96). According to Saunders *et al.* (2000), business situations are not only complex, but are also a function of a particular set of circumstances and individuals. This raises questions about the ability to generalise research that aims to capture the rich complexity of social situations. However,

phenomenologist would argue that the ability to generalise is not crucial because of the ever-changing world of business organisations, whereby if the accepted circumstances of today may not apply in the future then some of value of generalisation is lost (Denscombe, 2003). Similarly, all organisations are unique, which makes generalisation less valuable. Indeed, Remenyi *et al.* (1998: 35) underlined “the details of the situation to understand the reality or perhaps a reality working behind them”.

3.3.1.2 Deductive vs Inductive Research

Phenomenology forms the core interest of the present research and the “board effectiveness” is taken as a phenomenon which requires understanding and exploration. This is in line with two other contracting research lines namely the deductive and inductive approaches respectively. The deductive epitomises the principles of the positivism and therefore it attempts to test theory, whereby hypotheses are developed and a research strategy is designed to examine the hypotheses, whilst the inductive approach focuses upon building a theory, whereby data is collected and the theory is developed as a result of the data analysis (Saunders *et al.*, 2000). Deduction is the dominant research approach in the natural sciences where laws provide the basis of explanation, permit the anticipation of phenomena, predict their occurrence and therefore allow them to be controlled (Easterby-Smith *et al.*, 2001).

In contrast, induction is particularly concerned with the context in which events are taking place. Therefore, the study of a small sample of subjects may be more appropriate than a large number as with the deductive approach (Robson, 1993). This has a particular significance for the present research whereby the context in which board members operate, both internal and external (socio-economic and cultural) situations act as the basis for the perception and behaviour of the boards as the whole. Understandably the behaviour of the

boards, decisions made and interactions between the members are of qualitative nature and the methods or approaches employed ought to reflect this need for individual directors views and perception hence the use of methods of data generation, as oppose to data collections, such as interviews and case studies in order to explore (study) the phenomena under investigation (Silverman, 2005). The major differences between the two major approaches have been illustrated below (See Table 3.1)

Table 3.1: The differences between 'deductive' and 'inductive' research approaches

Deduction focuses on	Induction focuses on
Selection samples of sufficient size in order to generalise conclusions	Gaining an understanding of the meanings humans attach to events, actions and behaviours
Using Scientific principles	Closer understanding of the research context
Rigid operationalisation of concepts to ensure clarity of definition	A more flexible structure to permit changes of research emphasis as the research progresses
Explaining causal relationships between variables	Understanding the basis for and the nature of the phenomena
Collection of quantitative data	The generation of qualitative data
Moving from theory to data	Less concern with the need to generalise
Application of controls to ensure validity of data	Application of control to ensure reliability of data
Researcher independence of what is being researched	A realisation that the researcher is part of the research process
A highly structured approach	Semi structured approach

Source: Adapted from Saunders et al. (2000: 91)

Besides the stark differences that exist between the two major approaches, deductive and inductive, it is probably more important to pay attention to what Ackroyd and Hughes, (1982) refer to as the need for employing a suitable approach, consideration of the nature of the research topic and the availability of data and time. Given that the aim of this research was to

understand board effectiveness and that the events are created by the board members, it was deemed necessary to explore the meaning that participants in the board attach to their behaviours and action. Hence, it may be more appropriate to 'generate relevant data' and see the emergence of the theme and topics which help to explain the phenomena. It is therefore felt that inductive research by and large is fit for the purposes of the current research.

3.3.2 Positivism, constructivism and realism

In view of the above discussion, the broad philosophy guiding this research can be described as phenomenology and more specifically inductive, mainly because of the complex nature of research subject, and also in light of the research objectives and research questions proposed. However, it is felt that declaration of the research approach as phenomenological may be useful as a general approach but it does not clearly pin point the range of methodological issues and approaches employed by the researcher. In order to achieve this it is argued that whilst positivism in organisation and management studies attempts to discover the fundamental laws governing the organisational processes and operation (Johnson and Duberley, 2000) at one end of the continuum, the constructivism or interpretivism exist at the other end of the continuum from positivism. In its extreme sense of the word it conceives the world as a social construct by means of people's meanings and interpretations and their motives and intentions that directs their behaviour in their everyday lives (Blaikie, 1993; Easterby-Smith et al., 2002). Social reality therefore is viewed as a product of social interactions that do not produce single realities but multiple ones constructed in multiple contexts. This is also referred to as 'relativists ontology'. In short positivism believes in hard objective reality which exists outside the individual that can be observed measured and studied, whereas constructivism views the social reality as socially constructed and therefore is value laden and subject to meanings and interpretation.

As explained earlier, positivism has been rejected as an appropriate stand for exploring the phenomena of board effectiveness. Indeed social researchers frequently encounter phenomena that are not easily observed such as "value of culture" (Johnson and Dubeley, 2000) which are rejected by positivists. Understanding the phenomena of board effectiveness, because of its very nature, requires a greater understanding of the unobservable socio economic, legal, and cultural values which cannot be entertained from a positivist stand. It is not therefore unusual for a social science researcher to be aware of, for example cultural values such as the Islamic view of interactions and financial transactions in order to interpret, consciously, the observations that he or she makes (Blaikie, 2000).

Having argued that positivism because of its very extreme biases towards social research could not be adopted for the present research it is also doubtful whether constructivism, the other extreme position, can fully explain the reality of public sector boards and their effectiveness. Putting it differently, the board member's perception of the reality of the board is significant and it has to be taken into consideration because it is socially constructed, however, this perception is one of the many views of the reality (Bhaskar, 1978) of the corporate board of an organisation. The existence of an independent single reality is not necessarily inconsistent with the notion of an individual perception of this reality (Blaike, 2000). The board exists as a part of an organisation entity and although it is formed of human beings, however its formation is subject to specific conditions which are laid down in detail in the organisational and legislative rule books. The board members, who contribute to board effectiveness by their participation, also perceive the reality of board effectiveness as a separate reality and report on that to the social science researcher. Therefore the researcher has to be conscious of the values attributed to a particular social reality and simultaneously

has to recognise differences between reality (of the board) and the perceptions of the reality (See Table 3.2). It is argued that these conditions can be best explained by employing “realism” (Bhaskar, 1978; Healy and Perry, 2000).

Table.3.2: The differences between philosophical assumptions underpinning Positivism, Realism and Constructivism

Methodological Issues	Extreme Positivism	Extreme Constructivism	Realistic Realism
Purpose	Studying causal and fundamental laws to explain, predict causal and fundamental laws of human behaviour	Studying to explain and understand the human values, rituals, and social behaviours/ phenomenon which can not be explained using positivist empirical approach	Although cause and effect may not be direct, casual links behind social phenomenon can be found
Theory	It is based on prior theory	It is based on no prior theory	Is based on some prior theory
Researcher	Detached from the phenomenon under study	Interact with subject to gain necessary understanding of the phenomenon	
Context	Attempt to generalise	Attempt to contextualise	Searching for contextual reasons behind behaviour/social phenomenon
Method and strategy	Natural science method such as observation to achieve general ability of the results Deductive	Multiple methods to establish different perspective of the same phenomenon Inductive	It separate structure and agency but considers both as important for understanding phenomenon Inductive reproductive
Nature of Data	Quantitative	Qualitative	Both
Emphasis of Access	Access to data	Access to individual	Access to both

Source: Adapted from Balkie (1993), Johnson and Duberley (2000) and Silverman (2005)

3.3.3 Realism the choice of the study

The forgone discussion reveals that the positivism and social constructivism are not appropriate for the present study. The researcher's own ontological and epistemological assumptions which underpin a particular philosophy determine the methods to be employed which in turn determines the nature of the data to be generated. Therefore as Ackroyd and Hughes (1992) point out the methods should not be selected for their own elegance rather

they should serve a purpose; to direct us to the kind of the data which ultimately answers the research questions. Since the researcher's own frames of references are forming the basis for choosing a specific research philosophy (Bisman, 2002) hence the nature of social reality (ontology) and gaining knowledge concerning the social reality (epistemology) and the phenomenon of "Board Effectiveness", these issues have been discussed briefly below.

Understanding 'Board Effectiveness', as social phenomenon requires gaining in depth knowledge of the context, and the behaviour of the participants (directors) who make up the social phenomenon. These two components are very much related (Cupchik, 2001). The effectiveness of the board ought to be seen as perceived by each member, simply because the behaviour of the directors and their contribution cannot be separated from the phenomenon under study. The researcher therefore is very much interested in exploring the extent of the contributions made by the members. However, adopting a purely social constructionist stand may not be helpful since the perceived notion of reality alone does lead the researcher to full understanding of the effective PSBs. On the other hand, it cannot be assumed that the effectiveness of the board constitutes an objective reality which can easily render itself to observation and quantitative analysis alone (Bhaskar, 1978). Indeed in order to make sense of the directors' behaviour and contribution, there is also a need for including the "context" (Hunt, 1991; Analoui, 1999), in which the board is formed, established and operates. The contextual background emanating from organisational and wider socio-political, economical, and cultural realities provides a strong basis for adopting "Realism" for studying PSBs effectiveness in Abu Dhabi. The researcher does not consider the perception of the directors of the board as the reality rather it is believed that these perceptions should be considered as one or many views about the reality of the boards. Having said that, it must also be understood that the researcher is very much interested in these varied accounts (subjective

perceptions) of the participants simply because they form the bases for and draw a picture of reality as perceived by the members, but this understanding must be accompanied by the relevant accounts of the 'reality' out there. To obviate the above statement, it must be further reiterate that the effectiveness of PSBs in Abu Dhabi will not be the same as boards in Western countries. There may be some common elements which are derived from the global economic realities of modern life, never the less they are different and have to be explored in their own specific contexts (Robson, 2002; Silverman, 2005).

3.3.4 Research strategy and research methodology for present research

There is often confusion between research methodology and the methods employed for studying an organisational/social phenomenon (Blaikie, 2000). It is important to bear in mind that research method is the techniques and procedures used for collecting/generating, and analysing of the data, whereas methodology refers to the critical process of analysing different research methods (Silverman, 2005). As illustrated above the research strategy for this study is that of "realism" bearing in mind that whilst positivism and social constructivism pose the extreme ends of the continuum, "realism does not necessarily assume the 'middle'. Realism simply rejects the underlying assumptions held by the followers of each camp as being the only way to understand social/organisational reality. At the same time, it may use some aspects of the two opposing camps (paradigms) for explaining the behaviours, in this case those of the directors of PSBs in Abu Dhabi.

The strategy chosen for this study is the inductive approach. However, it also allows for methods and/or data which can be collected and/or analysed deductively. It is envisaged that the present research will rely heavily on inductive strategy, simply because the perception of the participants (Directors) is considered as vital for understanding phenomenon, however,

the contextual data which sheds light on the formation of boards, the instructions and formal rules governing the behaviour have not been rejected (Blaikie, 2000; Silverman, 2005).

As explained earlier the choice of the strategy for realism could be a mix of reproductive (similar to deductive) and adductive which comes from constructivism. The researcher in the position of realist, felt that there is a need to discover the structures and potential mechanisms which underlie the board phenomenon first, (Blaikie, 2000) before exploring the behaviour of the directors (Agency) in the board meetings and explaining them by pointing to the social meanings which help their construction (Robson, 2002). It was felt that the conditions on which PSBs are based are of paramount importance and need to be understood. Of course, the choice of methodology for this research has undoubtedly been influenced and guided by the researcher's own philosophical assumptions, the nature of the enquiry, the theoretical background which surrounds the phenomenon and the need for workability of the subsequent findings or the theory constructed (Blaikei, 1993; Easterby-Smith et al., 2002).

The adoption of realism is believed to be open to both qualitative and quantitative methodology (Hussey and Hussey, 1997). This is not to say that other influences such as the nature of study, the context and theoretical background do not play a part in determining the choice of the methodology, rather it frees the researcher from the hold of one specific paradigm and allows flexibility. In this study, the institutions (BS departments/banks etc), their board settings, and the individuals are all important. As will be explained in the next sections the accounts provided by the board members represent the complexities associated with board operations, the interaction amongst board members and its product-the decision made. These accounts, descriptive and subjective in nature, explain the phenomenon under study but not fully as the underlying factors such as institutional realities including the

conditions for membership of a board, the background abilities and competencies of individual directors and their degree of influence (political), as well as the externalities such as legislation, economic and cultural backgrounds which govern the activities and operations of the boards, also need to be considered. The effectiveness of the directors (senior managers) is also contextualised (Analoui, et al., 1999). The realist attempts to understand and explain these realities. The researcher intends to explain and demonstrate how the actors (the board members) behave and how their behaviours form a contribution to the effectiveness of the board. The concept of realism is consistent with the empirical findings informed by empirical materials within the literature (Perry et al., 1998). The task of building theory is informed by a comparison of emergent themes and the existing knowledge. It results in shedding light on what is similar amongst the PSBs and what is different and why, taking into consideration realities at individual, institutional and societal levels. Thus providing 'depth and detail' of the complexities of the research phenomenon through understanding the inter-play of both structure and agency (Patton, 1990; Ziman, 1996; Blaikie, 2000; Esterby-Smith, et al., 2001; Voss et al., 2002).

3.4 RESEARCH DESIGN

Designing research is where the theory and practice of methodology meet. It is about turning research questions into a feasible project (Robson, 1993; Hussey and Hussey (1997). It provides the link between aims, objectives, research questions, generated data and the conclusion reached. Research design methodologies can be classified into fixed, flexible and a combination of both (Hussey and Hussey, 1997). The fix design could be experimental whereby the researcher changes the position of the participants to produce changes in behaviour. The flexible design is about ascertaining in depth knowledge about a situation.

Studies for grounded theory and those of the case study and ethnographic nature which look into groups and communities are in this category.

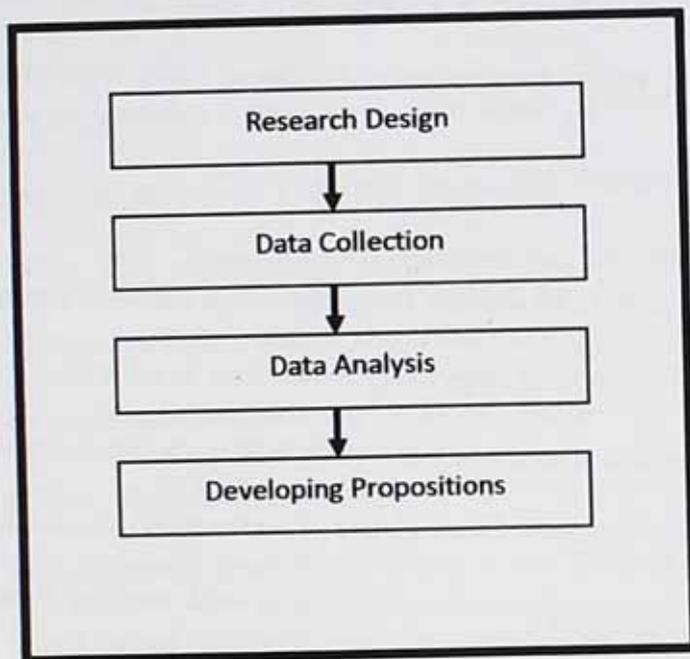
In the real world, a combination of the fixed and flexible design strategies would be used to maximise its effectiveness and minimise the short coming of each. There is a variety of methodologies (i.e. action research, case study, ethnography) although there is no 'one right' direction to take, experienced researchers usually select research approaches based on two main criteria; 'relevance', and 'suitability' (Achroyd and Hughes, 1993) for specific aspects of an investigation and particular kinds of problems. In a sense, methods for collecting data are chosen as 'fit for purpose' (Bryman and Bell, 2003), whereby it is crucial for good research that the choices are reasonable and explicit on one hand and meet criteria such as 'relevance', 'feasibility', 'coverage', 'accuracy', 'objectivity' and 'ethics' (Denscombe, 2003). The researcher chose case study as the prime method for generating relevant and suitable data for this study (See Figure 3.3). Following is the comparison with other methodological approaches within the context of this research

3.4.1 Case Studies Methodology: Justification

Case studies are used extensively across a range of social science disciplines such as sociology, psychology, history, political science, economics, administration, public policy, education and management studies (Yin, 2003). In general, case studies are the preferred strategy when 'how' or 'why' questions are being posed, with the investigator having little control over events and when the focus is on a contemporary phenomenon such as board meetings, interaction of board members and their effectiveness within public sector real-life context (Ghauri and Gronhaug, 2002; Marschan-Piekkari and Welch, 2004). As Robson (1993: 146) defined, the case study is "a strategy for doing research which involves an

empirical investigation of a particular contemporary phenomenon within its real-life context using multiple sources of evidence". In this context, the 'contemporary phenomenon' means the 'case' and can be applied to virtually anything. Similarly, Yin (2003: 13) conceptualised it as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used".

Figure 3.3: Steps for Theory Building from Case Study



Source: Adapted from Miles and Huberman (1994), De WeerdNederhop (2001) Voss et al., (2002).

In terms of the features of case studies, Gummesson (2000) characterised the features of the case studies as that which either attempt to derive general conclusions from a limited number of cases or to arrive at specific conclusions regarding a single case because this 'case history' is of particular interest. Furthermore, researchers in business-related subjects traditionally limit case studies to the exploratory use, such as a pilot study that can be used as a basis for formulating more precise questions or testable hypotheses, whilst the descriptive is

considered as simple and based more often than not on observation and reporting. Hence, Sen (1980: 353) states that "the reason description is considered the simplest form of science rests, at least in part, in the idea that description is largely a matter of mere observation and reporting, or reading other people's reports and summarizing - at best, systematizing. Whether a descriptive statement is acceptable could be thought to be dependent on its correctness and that could be resolved simply by observing". Although case study approach can be used in all types of research: exploratory, descriptive or explanatory (Bonoma, 1985; Ghauri and Gronhaug, 2002; Yin, 2003), it is a particularly useful strategy for studying processes in companies and for explanatory purposes (Robson, 1993; Gummesson, 2000; (Bryman and Bell, 2003).

Given that the aim of this research is to explore the relationship between actors and their contribution to effectiveness of the boards, especially PSBs, and to ascertain the perceived importance activities, operations and conditions which will lead to the formation of effective boards in Abu Dhabi, the researcher believed that the use of 'case study' is a suitable research methodology in this context. Since the personal experience of each member forms the basis for the emergence of the similarities and differences of the characteristics and contributions to, the researcher considered each account as one case for the purpose of analysis. The justification was the need for detail and in depth data, because, as Denscombe (2003), explains, the case study approach might be more beneficial where it allows the use of a variety of sources, types of data and research methods as part of the investigation. Specifically, it encourages the use of multiple methods, in order to capture the complex reality under scrutiny through fostering the use of multiple sources of data, in the case of this study, observation and use of secondary data, which in turn facilitates the validation of data through triangulation (Marschan-Piekkari and Welch, 2004).

3.4.2 Alternative Methodological Approaches

Although case study methodology has been selected for the purposes of this research, it should be noted that there are also other specific methodologies, which could have been selected (i.e. action research, ethnography, experiment, grounded theory, survey), whilst as explained earlier there were numerous reasons for not adopting these methodological approaches. The main methods are;

- Action research differs from other forms of applied research because of its explicit focus on action, in particular promoting change within the organisation (Robson, 1993). This methodology emphasizes that the researcher is part of the organisation within which the research and change process are taking place (Saunders *et al.*, 2000). Its associated methods are focus groups, discourse analysis, document analysis and content analysis. However, action research is not suitable for the aim and objectives of this research since firstly it entails long association with a specific corporate board, which is not practical, and secondly, the investigation should be concerned with a change of some sort rather than understanding the processes involved in the realization of PS board room operations.
- Ethnography emanates from the field of anthropology and takes place over an extended period. It is a time consuming process. Boards are not routine organisational operations which render themselves to a long term involvement so that the researcher can develop new patterns of thought about the phenomenon under study and the behaviours being observed. Moreover, it entails unstructured interviewing, and active involvement often as a participant observer in the field (Saunders *et al.*, 2000).

Corporate Boards generally meet periodically to consider matters of importance to the organisation. Their operations and their period of existence may vary from a few hours to a day long meeting. The formal processes involved do not allow for conducting unstructured interviews during their operations.

- Experimental approaches typically belong to the realm of scientific enquiry for example psychology, where the hypothesis are tested under controlled conditions and comparison is made between two groups to analyse the difference when one or more variables change. They are not commonly used in business and management studies (Bryman, 2004). It must be noted that the purpose of the present investigation is not a comparative analysis of the PSBs operations, process and protocols, rather the intention is to explore the why and how effectiveness is or can be obtained. Moreover, in real life creating an experimental board is rather impossible let alone unrealistic or feasible.
- The use of a survey is usually associated with the deductive approach. It has the potential for generating large amounts of data from a sizeable population in an inexpensive manner. It allows for quantitative analysis, and it does require the researcher to gain an in depth knowledge of each respondent since the data is standardised. This method cannot provide the kind of rich qualitative information and data necessary for understanding the role and responsibilities of the board members (Saunders *et al.*, 2000).
- Grounded theory seeks the data, often qualitative, which leads to generation of theoretical statements using a set of fully integrated and practical steps. The drawback

however, is the danger that the theory generated from the data might ignore the influence of social, economic, political factors (socio-economic, legal, globalization, cultural) and historical background to events. In the case of the present research these contextualised conditions and influences are vital for understanding the behaviour of the board members and the board as an organisation entity (Robson, 1993; Denscombe, 2003; Silverman, 2005).

3.4.3 Multiple versus Single Case Studies: What is suitable for this study?

As indicated earlier there is a need and necessity on the part of the researcher to select methods which are relevant to the nature of the data and are suitable for answering the research questions (Ackroyd and Hughes, 1992). The case study has been selected because it "fits" the purpose for this study. However, the research can be based on either a single or multiple-case design (Tellis, 1997; Amaratunga and Baldry, 2001; Rahim and Baksh, 2003). Studies based on a single case study are often selected because of their "special nature" or that it provides a critical test to a well established theory which makes it almost unique (Tellis, 1997). However, they carry with them an inherent limitation which is primarily related to unsuitability for generalisation of the findings and/or developing models and theories for subsequent investigations (Voss et al., 2002). The risk of misjudging a single event is generally deemed to be high. This is particularly relevant for the present study. Undertaking the study of effectiveness of one board, even though belonging to the same sector, namely public sector, although revealing its implications, lessons learnt and the potential for model construction would be very low.

It is often a misconception that organisations which belong to the same sector will be the same particularly when it comes to the nature of interaction and decision making and the way

in which they formulate their strategies. This is a fallacy. The public sector organisations in Abu Dhabi are comprised of a variety of organisations which includes banks, ministerial departments, and those related to ports, import and export. Undoubtedly, these organisations may share certain features and characteristics but they are not the same. With this in mind, it was decided to avoid the study of a single board and how it functions just for the ease of the process. Moreover, throughout it has been illustrated that the role of the directors or members of the boards is vital to the satisfactory outcome of the PSBs and indeed, the private sector for that matter. These are the key individuals who interact with one another and form the important part of the research phenomenon under study. Therefore, the researcher decided to cast the net further and choose a multiple-case study design which included a number of individual board members from several organisations in order to obtain an insight into the way boards operate, their similarities and differences, and to explore the role of the directors and their contribution to the effectiveness of the board.

A case study in this research is a unit of analysis (DeWeer-Nederhof, 2001; Rowley, 2002). The unit of analysis reflects the focus of the study and provides the basis for comparison on one hand and on the other acts as the piece of the jigsaw which completes the picture (Miles and Huberman, 1994). It is also important to be aware of the issues of 'boundary' and the need for distinguishing the Unit of analysis from its context since without boundaries, Rowley (2002) suggests that there is the temptation and danger of 'collecting everything'. Since the research question relates to PSBs effectiveness, the unit of analysis is individual board members of public Sector Boards in the context of Abu Dhabi.

In line with Gooddall and Warner's (2002) assertion that future research on board directors should include access to corroborating accounts/comments provided by the directors, gaining

an insight into the directors' contribution to boards requires at least two case studies from the same organisation/board. Thus, in order to gain a richer picture it was decided to select randomly two directors from each board.

The main method of data generation, as will be explained, will be the use of semi-structured interviews. However, the use of secondary data and the involvement of the researcher have to be triangulated in the process. This is in line with the assumptions which underpin the "realism paradigm" that sees interaction between researcher and the research as necessary conditions for gaining a better understanding of the phenomenon under investigation (Guba and Lincoln, 1994; Manning, 1997; Healy and Perry, 2000; Bisman, 2002).

3.4.4 Sampling Strategy and Theoretical Saturation

There is an ongoing debate in the literature concerning the use of multiple case studies. How many case studies would be sufficient for understanding the phenomenon and how many cases are required in order to build theory and generalise the results? The minimum number of case studies suggested is four (Eisenhardt, 1989: 546). It is argued that any number fewer than four may not meet the above criteria. The maximum number suggested ranges from twelve to fifteen (Miles and Huberman, 1994; Rahim and Baksh, 2003). However, Hedges (1985) sets an upper limit of twelve cases. In practice however, the decision made by the researcher ought to be based on the realities of the context and related issues such as access, quality and relevance to the subject of the study. The researcher will have a "feel" for the data and may conduct more or less than twelve cases. What are deemed important are three issues; a) the observation and analytical capability of the researcher (Patton, 1990), b) the meaningfulness of the qualitative data to be generated which is largely determined by the careful selection of the cases required (Ackroyd and Huges, 1992); and, c) coverage of the

themes and issues involved (Perry, 1998; De Weerd-Nedderhof, 2001). In practice however, it is difficult to stipulate a number prior to being engaged in the field work and data generation process. Indeed, as Eiesenhardt (1989) appropriately suggests, the researcher should continue with conducting interviews (adding cases) until he or she ensures that "theoretical saturation" is reached and no more new 'themes' are identifiable. In this study 14 cases have been planned for which represents the maximum numbers recommended in the literature.

On the other hand, the representation and control of the contextual environment is equally important and has to be factored in when deciding the number of the cases needed for analysis. In the case of the present research, the organisation sample from which directors have been selected has been considered as important (Hambrick and Finkelstein, 1987; Welch, et al., 2002). Thus, seven public sector boards were selected to be involved in the study (See Table 3.3).

Since the researcher himself has been and at presents hold membership of a few SBs he is sufficiently aware of the importance of access to individual directors and the context in order to complete the picture to be reported. Ordinarily, it would be difficult if not impossible for a researcher per se to obtain access to PSBs and in the unlikely case that they were able to, he or she would find that most members were reluctant to provide 'all the information' because they do not want to take the risk of talking to researchers' (Gummesson, 2000). The researcher did not face this constraint because of his credibility as a senior member of a public sector organisation and his access to boards as a member and chair person (Hertz and Imber, 1993; Silverman, 2005). This has eased the process of access and internal first hand knowledge of the researcher has facilitated the process of decision making since he was

aware of what information was important to the study, what were the obstacles to be negotiated and more importantly what was feasible to study. In short, the process of collecting qualitative data to answer the research question is far more complex than merely deciding on a number of cases. Prior planning, targeting individuals, arranging to meet with informants and finally, getting their approval for interviews are decisive factors in the feasibility of the study.

3.5 DATA COLLECTION METHODS

The assumptions underpinning the paradigm, in this case inductive and realism are the main deciding factors in what method should be used for the study (Yin, 1989; Robson, 2002). The qualitative as opposed to quantitative research methods, for the viewing of the reality, as perceived by participants, forms the description which is provided by informant. This is the valuable raw data for the analysis (Vallaster and Koll, 2002). The intent is to generate primary data which is the "information obtained firsthand by the researcher that has specific application to the current problem" (Malhotra et al., 2002: 120). In addition as explained earlier, the use of triangulation is thought to provide the multi perspective source which is needed to ensure the richness of the data and the process of verification between perception and the contextual facts (Patton and Applebaum, 2003; Hair et al., 2003).

It must be noted that primary data is heavily dependent upon the ability and skills of the researcher (Kumar, 2005; Henn et al., 2006). To obtain data from boards and about the way boards operate has called upon the political skills and interactional competences of the researcher. Physical access does not guarantee 'psychological access' (Ackroyd and Hughes, 1993). The researcher's awareness and knowledge of public sector organisations within Abu

Dhabi has enabled him to secure access to the necessary data to answer the research questions of the present research.

As explained earlier, primary data is made up of the materials that the researcher gathers and/or generates, such as results of the interviews, documentation, information from archives and even case studies. Since the choice of the primary method for gathering data has already been determined by the paradigm position of the researcher, interviews formed the main source of the data for the present research

3.5.1 Choice of Interviews

Interview is considered to be the most widely applied method for gathering information and a means for collecting large amounts of data very rapidly (Thomas. 2003; Miller and Brewer, 2003; Punch, 2005) Interviews are associated with positivist as well as phenomenological methodologies (Blumerg et al., 2005). "They are a method of collecting data in which selected participants are asked questions in order to find out what they do, think or feel. Interviews make it easy to compare answers and may be face-to-face, voice-to-voice or screen-to screen; conducted with individuals or group of individuals" (Collis and Hussey, 2003: 167).

Interviews, by their very nature, are generally classified into structured and unstructured types. Structured interviews involve tight control over the format of the questions and answers. In essence the structured interview is like a questionnaire which is administered rigidly face to face with a respondent. The researcher has a predetermined list of questions to which the respondent offers limited responses (Miller and Salkind, 2002). In contrast, unstructured interviews are informal and are used to explore in depth areas of concern

(Welman et al., 2005). They are more evolving in nature as the questions depend upon interviewees' responses. Initially the interviewer does have a number of planned questions in mind but these concerns can be melded depending upon the responses. The strength of the unstructured interview is the complete freedom they provide in terms of content and structure (Kumar, 2005). This form of interview has been considered as the most useful way to conduct a purposeful interaction with elites. Moreover, the structured interviews are usually frowned upon, culturally by senior members of the organisation since they give the impression that the participants is being "questioned" and "interrogated" which adversely affects the nature, amount and accuracy of the data provided.

For the present study, semi structured interviews were decided to be the most useful method for collecting rich data based on the in depth knowledge of the directors. The qualitative case as Fisher (2007) aptly suggests, combines the observation and interview. This is combined with the secondary data available on the contextual aspects of each public sector organisation (Carson and Coviello, 1996; Trace, 2001). The multiple nature of the case studies involved meant preparation of a simple but effective protocol, or guidance which would give each individual member consistency of approach (Voss et al., 2002).

The researcher was aware that on some boards the Chair will also act as CEO and that he or she may have to play multi-roles in informing the board.

It was decided to target four individuals from the board (Chair, CEO, ED and None-ED) from each PSBs. As explained earlier, a minimum number of four and a maximum number of 12-14 case studies has been suggested (Eisenhardt, 1989: 546) as necessary to reach the theoretical saturation (Miles and Huberman, 1994), whilst the most important criterion is the decision made by the researcher based on the realities of the context and related issues such as access, quality and relevance to the subject of the study (Hedges, 1985). In the case of the

present research four PSBs were randomly selected. (See Table 3.3) and the four identified actors (participants) namely Chair, CEO, ED and None-ED were targeted in each organisation. The organisations selected were:

- Abu Dhabi Ports Company (ADPC)
- Khalifa Fund to Support and Develop Small and Medium Enterprises (Khalifa Fund)
- National Bank of Abu Dhabi (NBAD)
- National Drilling Company of Abu Dhabi (NDCA)

Table 3.3: Name and brief description of the four organisations involved

No.	Name of the Organisation	Brief description of the organisation
1	Abu Dhabi Ports Company (ADPC)	<p>Abu Dhabi Ports Company (ADPC) was established in March 2006 by Emiri Decree No. 6 of 2006 in the Emirate of Abu Dhabi as part of the restructuring of the commercial ports sector in the Emirate. It was given control and regulatory enforcement power over all commercial ports assets previously owned by the Abu Dhabi Seaports Authority (ADSA).</p> <p>ADPC is a leader in the development of world class ports and industrial zones.</p> <p>Abu Dhabi Ports Company PJSC, is Public Joint Stock Company wholly owned by the Government of the Emirate of Abu Dhabi, established in March 2006 by the Emiri Decree No. 6 of 2006 in the Emirate of Abu Dhabi.</p> <p>The Board of Directors is the highest governing authority within Abu Dhabi Ports Company (ADPC). The Chief Executive Officer (CEO) reports to and acts as Advisor to the Board. ADPC Senior Management comprising of Executive Vice President and Vice President level designations report to the CEO.</p> <p>ADPC organization structure comprises of Business Units, support/Functional Units and Divisions.</p>
2	Khalifa Fund to Support & Develop Small &	<p>Khalifa Fund to Support & Develop Small & Medium Enterprises (Khalifa Fund) was established in 2007 based on Law No. 14 of 2005 for the Emirate of Abu Dhabi. The Law by which Khalifa Fund was established has been amended by Law No. 13 of 2009 where the name of the fund was changed to Khalifa Fund for Enterprise Development, and the capital was</p>

	<p>Medium Enterprise s (Khalifa Fund)</p>	<p>raised to 1 billion dirham.</p> <p>The Board of Directors is the highest governing authority within Khalifa Fund for Enterprise Development. The Chief Executive Officer (CEO) reports to the Board. Khalifa Fund Senior Management comprising of Chief Operations Officer (COO) and Chief Administrative Officer (CAO) report to the CEO. Khalifa Fund organization structure comprises of core operations departments and support functions/departments in addition to corporate functions.</p>
3	<p>National Bank of Abu Dhabi (NBAD)</p>	<p>NBAD Listed on the Abu Dhabi Securities Exchange (ADX), National Bank of Abu Dhabi (NBAD) is an integral systemic bank of the United Arab Emirates (UAE) providing a full range of products and services to the UAE market. NBAD is the largest bank in Abu Dhabi and the second largest bank in the UAE in terms of assets.</p> <p>NBAD is one of the primary banks to the Abu Dhabi government and public sector companies. The Abu Dhabi government owns 70.5% of NBAD's shares through its investment arm, the Abu Dhabi Investment Council (ADIC).</p> <p>The CEO has responsibility for the day to day management of NBAD including:</p> <ul style="list-style-type: none"> Implementation of decisions of the Board and strategy determined by the board. Managing the business of NBAD in accordance with strategy approved by the Board. Managing systems of risk management and control. Managing delivery of targets set by the Board. Chairing the Executive Committee and Management Committee.
4	<p>National Drilling Company of Abu Dhabi (NDCA)</p>	<p>In 1972 National Drilling Company is established by a resolution of the Abu Dhabi Council of Ministers. In 1973-74 NDC Acquired the first onshore rigs, ND-1 and ND-2. NDC Since 1976 NDC has expanded its off shore fleet of shore rigs continued to acquire offshore rig (1975-2010) and in land rigs (2110-2011).</p> <p>NDC has been involved in other activities such as Commenced Ground Water Research Project in Al-Ain in partnership with the U.S. Geological Survey (1988); Implementation of the Well Delivery Limit (WDL) initiative saves operating company significant cost and reduces well durations drastically (2000); and marked its 30 years anniversary by a corporate reorganization and new identity (2002).</p> <p>In 2006 NDC completed 10 years without Lost Time Incident. Thus winning of ADNOC HSE award titled "Simulating for Success" and special recognition award titled "Aviation Fires</p>

		<p>Down rated”, and won ADNOC HSE award titled “Improved Transport Safety through VMS”.</p> <p>In 2007 Rig Junana completes Rig Integrity Assurance Program (RIAP) receiving ISO 14001 certification, and in 2011 NDC won DNOC HSE award titled “Traffic Lights: A snapshot of Asset Health”. Receiving ISO 27001 certification for Information Security.</p>
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Source: Data Analysis

In order to ensure the anonymity of the board members involved and to facilitate the process of ‘coding’ the above organisations (cases) were given the ‘coding’ of A to D accordingly. This meant that the four targeted individual directors namely Chair, CEO, ED and Non-ED in each board were also allocated the coding of A1-A4, B1-B4, C1-C4, and D1-D4 respectively (See Table, 3.4).

- Abu Dhabi Ports Company (ADPC)
- Khalifa Fund to Support and Develop Small and Medium Enterprises (K F)
- National Bank of Abu Dhabi (NBAD)
- National Drilling Company of Abu Dhabi (NDCA)

Table 3.4: Organisations and target individual ‘coding’ for interviews

No.	Organisation (Board) Code	Org. Code	Role Chair Code	Role CEO Code	Role ED Code	Role N-ED Code	Total
1	ADPC	‘A’	A1	A2	A3	A4	4
2	KF	‘B’	B1	B2	B3	B4	4
3	NBAD	‘C’	C1	C2	C3	C4	4
4	NDCA	‘D’	D1	D2	D3	D4	4
Total			4	4	4	4	16

Source: Data Analysis

The assumption was that somewhere between 12 and 16 interviews theoretical saturation may be reached. This provided the safety net for ensuring the generation of adequate relevant data for the study (Achroyd and Hughes, 1993).

Following the selection of the target individuals and gaining access to their organisation and themselves, it was envisaged to interview up to four individual directors from each organisation. A plan was devised (See Table 3.5) to provide as much time as necessary to meet and conduct the interviews (Stake, 1995; Hetland, 2002). It was also decided that should an interview, for one reason or other, not meet the planned schedule, the researcher should meet the individual another time and elsewhere (outside the organisation) if necessary to complete the planned number of interviews.

3.5.1.1 Interview questions and rationale

It is often mistakenly understood that 'unstructured interviews' do not necessarily need planning on the part of the researcher (Voss et al, 2002). This of course is not the case. As Ackroyd and Hughes (1993) appropriately contend the questions to be asked need to be considered in terms of their rationale and their relationship with the data they intend to generate. Another related issue is that, questions to be asked have to be ample enough in order to ensure that the interview is in depth and generate detailed information. Since each interview is regarded in this study as one case, it was important to generate ample questions so that the criteria, quantity and quality were guaranteed (Miles and Hurberman, 1994). Thus, the questions generated, besides the demographic ones which enquire about individual characteristics of the interviewees, were a) related to the aims and objectives of the research,

Table 3.5.: Sample of questions considered for interviews, the rationale and their relationship with objectives of the research.

Q No.	Interview Question
1	Age, gender, education, position in the organisation/ sector /industry experience/ total years of experience at board level/ and experience on the present board?
2	What are the role(s) and characteristics of the PSBs? How often do they meet?
3	What are your role(s) and responsibilities on the board?
4	What demands and constraints affect your performance on the board?
5	Do you involve your senior management in the board meeting?
6	In what ways do the management team contribute to the board meeting, before, during and/or after?
7	How well do you know the board members socially?
8	What do you believe constitutes board effectiveness?
9	Are rewards and motivation necessary for the board members' effectiveness? If so, how?
10	In your opinion, what 'core capabilities' do you, as a board member, require to be effective in your roles?
11	How would you describe the atmosphere of the board?
12	How well do the board members work together?
13	Is there any on-going training opportunity for acquisition of relevant skills and knowledge for board members? If not what kind of training would you envisage?
14	Do you conduct the board business in English or in Arabic?
15	How do Islamic values and beliefs affect your performance/effectiveness on the Board?
16	Do traditions and rituals affect the board performance/effectiveness? Please give an example.
17	Has global economic decline affected the behaviour of the members on the board?
18	How important are the PSBs effectiveness for the overall social-economic development of Abu Dhabi?

Source: Data Analysis

and b) could be justified by their relevance to literature (Gummesson, 2000; Bernard, 2002).

The research adopted the strategy of being prepared with more rather than less questions in order to ensure that each interview yields sufficient data in order to be considered as a 'case' for analysis (See Table 3.5).

3.5.1.2 The pilot study

Although as explained in the previous chapter attempts were made to ensure that the relationship between the philosophical foundation of the research, the objectives of the research and the rationale for their use by other researchers in a similar context was considered carefully, never the less a pilot study was attempted involving the first five interviews (participants).

The pilot aimed to see the relevance, time taken, theoretical suitability, methods used and more importantly whether or not the questions yield data concerning the 'contexts' in which the behaviours and actions have been exhibited. In the event, no real issues emerged except that at times the researcher had to resort to more than one 'sitting' to complete one case. This issue was also incorporated when conducting other interviews. Thus, the first five interviews were re-interpreted for the analysis and were added to other cases (interviews conducted). The issue of 'access' did not present itself as a serious challenge. All four organisations selected and all targeted individuals selected were contacted prior to conducting the interviews (Ackroyd and Hughes, 1993). A schedule for interviews was prepared and adhered to religiously.

3.5.1.3 Access and conduct of the interviews

The cultural etiquette in Abu Dhabi and the helpful attitude of the members towards another colleague has allowed for more time being spent with members than was originally planned for. On average each interview took between 75-105 minutes. This was particularly encouraging; however the researcher had to exercise control to make sure that the interviewees did not digress beyond the expected amount. In all cases the interviewer did not

face any major obstacles in approaching the individuals and conducting interviews (See data collection process).

Almost all interviews were conducted outside working hours and were supplemented with telephone calls when necessary. Using the concept of theoretical sampling grounded data analysis, data saturation was achieved after conducting 12 interviews; that is no new extract or new issues appeared in the analysis. Further interviews supported the above concept.

3.5.2 Secondary Data

In this research, secondary data has been considered as those which have been obtained other than by interviews. The observations made by the researcher and even his knowledge of the organisation, if relevant to the research will undoubtedly form some of the secondary data. However, for this study, it refers to information relevant to the context in which the interactions take place (Hakim, 2000; Zikmund, 2003). This information is in a sense obligatory for any organisational research. It is essential that the bulk of the secondary data has been gathered first, as this information can provide useful background information that can assist in defining the research, developing goals and determining methodology (Polonsky and Walter, 2005). It has been suggested that data from secondary sources gives outstanding background information about the research area as well as providing excellent leads for conducting effective interviews (Blumberg et al., 2005). For example, background knowledge concerning the formation of the board and its previous operations, decisions made, and constraints experienced have been extremely helpful to the present researcher. Besides extensive documentary secondary data, such as journals, books, business reports, national government reports, studies of organisations, publication of various organisations and institutions regarding the public sector, and historical development of these issues related to

boards have been the main focus. The secondary data in the present research provided the researcher with the confidence and knowledge to approach the interviews, as in the case of unstructured interviews, almost any subject may "come up" (Hakim, 2000; Sekaran, 2003).

The rich qualitative data generated by conducting semi-structured interviews were triangulated by the information of the contextual nature; the organisation and the wider environment factors. It must be noted that the researchers' own insight and knowledge, based on observation, and participation in the various PSBs has to an extent provided the insight necessary to define the scope, the whereabouts of the relevant data and the access to sources normally in accessible to ordinary researchers (Ackroyd and Hughes, 1992).

Moreover, the researcher took on the task of attending boards and earnestly recording and collecting data. As explained by Kiel and Nicholson (2005), the information obtained from observing aboard meeting reveals a great deal about the dynamics of the relationship between individual directors which can be further corroborated by reviewing board papers and governance charters (Tellis, 1997).

3.5.3 Data Analysis: Process

It has been suggested that the qualitative data obtained from semi structured interviews can be analysed using techniques commonly used such as 'content analysis' (Bernard, 2002; Easterby-Smith et al., 1991). This process will result in the emergence of themes and categorisation, and links to substantive and formal theories.

Other writers suggested that the analysis of the qualitative data is bound by the approach comprised of the three components;

- Data reduction;

- Data Display; and
- Verification and drawing conclusions

Data reduction refers to the process of selecting, focusing, abstracting and transforming the data. Data display refers to an organised, compressed assembly of information that allows the drawing of relevant conclusions (Eisenhardt, 1989; Miles and Huberman, 1994). These have been made possible by using 'coding' and 'memo-ing'. Whilst coding refers to labelling and identification, memo-ing is the writing about the codes and what they stand for. It is argued that these methods will enable the researcher to begin the task of drawing conclusions. The software Nvivo can achieve the above using computations (Vallaster and Koll, 2002; Bazeley, 2007).

Since the nature of the present research is exploratory rather than explanatory, it was decided to process the data manually rather than using software and computation. This was based on the informed decision that the cases collected in conjunction with the data concerning the contextual background constituted the primary 'raw' data for analysis. Also, there is the fact that, as suggested in the literature, there is an overlap between the collection and analysis of the qualitative data (Voss et al., 2002). Whilst the bulk of the data was in English some of the secondary data collected such as organisational regulations and Charters were written in 'Arabic' thus requiring translation. The process of data reduction and coding therefore included listening, reading, re examining interviews, the account provided by the directors, their perception of what in their opinion constitute an effective board; what capabilities are necessary for forming and contributing to the effectiveness of the boards; and under what organisational, socio-economic and cultural conditions the board effectiveness can be achieved in order to look for meaningful relationships amongst the themes which emerged

from the data. By entrusting this process, which requires giving meanings to descriptions, to computer software would have meant that the valuable observations made and the impressions formed by being involved in the board dynamics were not included (Huberman, 1994; Trace, 2001). As Ackroyd and Hughes (1992) aptly assert, the methods and techniques used for generating and collecting data and/or analysis, ought not to be used for their own elegance, rather they should be employed to achieve the goal and objectives of the research.

In short, the process of data analysis took the following stages;

- a) descriptive and content analysis of the context related and case data for emergence of the themes and sub themes
- b) cross analysis of the themes and sub themes across the cases to identify the similarities and differences thus searching for common and unique themes;
- c) understanding the nature of the themes concurrent between the twelve interviews collected to allow the drawing of conclusions and verification concerning the contribution of the directors to 'board effectiveness'

In order to test the parameters of the 'realism' methodology and its implications for the relevance of the data, a pilot study was attempted (See above) in which the contextual information about public sector organisations were also included prior to formal collection of the data. The themes identified as being the main contributing factors to the board effectiveness; included personal characteristics, interpersonal communication, constraining factors, individual capabilities and competencies, motivation and prior experiences and the academic attainment of the board members. The analysis process led to the drawing of conclusions, albeit in a very limited way (Ramsay, 1998).

3.5.4 Reflection on Methodology

An important aspect of research is that it also forms 'a learning opportunity', one which has implications for the research itself and the future endeavours in the same or similar field (Ackroyd and Hughes, 1992; Silverman, 2005). The present study, like many other empirical efforts has had its share of joy and concerns which formed the realities that had to be negotiated by the researcher. These basically fall into two groups; those concerned with data collection where situations expected or otherwise that were dealt with during the process of collecting and generating data, and those concerned with analysis of the data collected.

3.6 RESEARCH QUALITY

The question of how to judge the quality of a research project has preoccupied many social scientists (Christie et al., 2000; Riege, 2003). Often faced with criticism which has been directed at use of a specific method the researchers developed ways to 'defend' their position and the methods used for generating and collecting data (Yin, 1989; Bisman, 2002). The issues of the validity and reliability of both methods and data have formed the most notable issues questioned and debated in relation to qualitative studies, including interpretive and those which employ case studies. For example, Heron (1996) views the validity of enquiry in terms of whether or not it is well grounded. The procedure suggested for ensuring validity includes five criteria (See Table 3.6);

Yin (1989) suggested four tests of the *Internal Validity*, the establishment of the correct relationship between patterns, *External Validity*, possibility of replication and generalisation, *Construct Validity*, appropriateness of operational measures for the concepts being investigated, and *Reliability*, Proper documentation and execution of the procedure so that another

researcher would obtain the same results. Other writers bring in to play the methodological issues such as ontology and epistemology and aptly argue that the validity and reliability of a

Table 3.6: Heron's criteria of validity and reliability of the social inquiry

NO.	CRITERIA	DESCRIPTION	
1.	Cycle of the research	The process of data analysis, models and theories are adequately be refined, and sufficiently reflect the participants' experiences and the experience of actions taken.	
2.	Reflection and action	The action taken should be reflected upon to see if they worked or not and why it didn't to form new theories, is a part and parcel of validation process	
3.	Challenging subjectivity	uncritical	The process of analysis should include challenging the methods and outcome of the research
4.	Managing projections	unaware	Awareness of the potential distortion impacting on analysis as a result of unaware previous experience or insight
5.	Convergence and divergence	and	Using contradiction and multiple views to ensure the process of convergence (capabilities), and divergence (dissimilarities) in outcome.

Source: Adopted from Heron (1996); Torbert (1999); Rowan and Reason (1981)

research should be judged based on the expectations and allowable use of the practices within its own paradigm (Healy and Perry, 2000; Bisman, 2002; Silverman, 2005) and that the issue of how reliability and validity should be assessed have not been finalised (Healy and Perry, 2000; Weber 2004).

The use of realism, as part of the interpretive paradigm has resulted in the generation of rich qualitative data which explores the perception and understanding of the participants but does not take these perceptions as 'reality', rather considers them based on objective contextual factors to obtain a realist version of reality. Such procedure resulted in an abundance of rich qualitative data which was subjected to coding, reduction, and cross analysis, and still were considered in context of the organisational and external socio-economic and legal realities which formed, contributed to and affected either implicitly and explicitly to the 'realities of PSB' in Abu Dhabi. In some ways the quality of realism research uses a blend of the criteria

that have been specifically developed for positivism and/or interpretivism (Lincoln and Guba, 1985). The researcher, throughout the process of inquiry, methodically adhered to the criteria of validity and reliability as asserted by the relativist, thus has ensure that as Easterby-Smith et al., (2000) suggests, sufficient number of the perspective have been included to ensure the validity of the research, and in order to meet the criteria of the reliability, the processes employed have been adequately documented to ensure that similar observations can be reached by another researcher.

Amongst the many issues which have entered the debate on quality of the research, three seem to stand out as important; the issue of 'trust worthiness', 'triangulation', generalisation. These are discussed briefly here;

Trustworthiness of the data generated and/or collected relates to the richness, depth and details of the data collected (Kvale, 1996; Bisman, 2002). This in turn is influenced by the relationship which is established between the researcher and the individual participant for the duration of the interview. In the case of the present research, the credibility and integrity of the researcher played a part in ensuring that directors and members of the board felt that they could report their experience and discuss their views 'confidentially' and 'freely'. Also to avoid the problem of 'anticipation' of saying the 'right' thing to avoid cultural embarrassment, the researcher not only enquired about 'effectiveness' but also questioned the participants about the 'ineffectiveness' of the boards and their underlying reasons. Although the researcher can disregard an interview on the account of not being reliable or suspicion of extreme bias and inaccuracy, all interviews carried out yielded detailed, rich, original data and met the stringent criteria imposed by the researcher.

The triangulation of the data produced information and data which could be used for corroboration of the accounts provided by the participants. The observations made by the researcher and the data gathered from various sources, including literature and similar studies in to effectiveness of the boards, as well as the legislative and legal requirements for creating a board within the public sector formed invaluable data for verification of the interviews (Healy and Perry, 2000; Shenton, 2004).

As for the generalisation of the findings or external validity, the intention was to gain a comprehensive, detailed, and accurate understanding of what contributes to PSB's effectiveness in the context of Abu Dhabi. Arguably the intention is not to emulate the principles of the natural science to the extent that statistical evidence is used for testing hypotheses, on the contrary the 'analytical' approach has been adopted to record and explain the similarities and differences that make sense in attempting to improve the board effectiveness in Abu Dhabi. It was hoped that the findings lead to theory building (Kvale, 1996; Robson, 2002).

3.6.1 Ethics of research

The researcher was aware of the important ethical principle which has to be considered when conducting research - that the researcher should not cause harm to participants or others (Saunders, 2007). Predominantly the risk stems from the possibility that the thoughts, perceptions, and details of incidents included within the report may be perceived negatively by others, hence reflecting poorly on both the participants and their organisations. Thus, following Miller and Brewer (2003) two key ethical considerations have been observed: informed consent and anonymity. To ensure that participants are able to provide informed consent, as advised by numerous scholars (Hussey and Hussey, 1997; Bryman and Bell,

2011), participants will be provided with an information sheet that outlines the projects aims, details of what their participation will entail, and the intended outcomes of the project; it will be ensured that participants give their full written consent prior to the collection of data. To ensure anonymity, the names of participants and their organisation will be obscured, as will any other information that may pertain to their identification via a process of manipulation (Richards, 2006).

In addition, this study will be conducted in line with section 3.2 of the University of Northampton's ethical code 2 as well as other scholarly guidelines as appropriate (Miles and Huberman, 1994; Fritzsche, 1997)

3.7 SUMMARY

This chapter provides the rationale for the methodology employed by exploring the different perspectives in social sciences and assessing their suitability for the present research. The debates on 'positivism' and 'constructionist' approaches to study of the social and organisational phenomenon resulted in understanding that neither could adequately explain the reality of PSBs in Abu Dhabi. Therefore, by adopting 'Realism as a realist alternative, attempts has been made to ensure that both subjective accounts (perceptions, understanding and views) of the participants were captured and simultaneously attention was paid to objective organisational and wider social realities which influence and contribute the effectiveness of the PSBs.

The adoption of the case study approach for this exploratory approach has ensured that those who are primary actors in contributing to the effectiveness of the board-members were

involved in the study. In line with the concept of theoretical saturation, 16 participants were targeted for semi interviews and were undertaken, though as discussed earlier, data saturation was achieved after 12 interviews.

The data collected was subject to systematic and analytical consideration. The accounts provided by the participants were coded, reduced and the emerged themes were cross examined with other cases, then the secondary data collected, and the evidence from literature also included in the analysis of the data.

The adherence to the criteria proposed by social scientists who have already attempted interpretive social inquiries and learning from researcher in similar fields led to a collection and generation of the rich qualitative data relevant to the subject of the social inquiry. This in turn satisfied the criteria of validity and reliability expected from a serious study. On the whole, the researcher is confident that the data collected, analysed and the conclusions reached during analysis are the true reflection of the realities of the PBS and experiences of the participants within the sample interviews conducted. Thus, some measure of ability to generalise in terms of identification of similarities and differences has been achieved.

CHAPTER FOUR: ABU DHABI AND CORPORATE GOVERNANCE

4.1 INTRODUCTION

The late 1950s saw the first commercial oil discovery in the Emirate of Abu Dhabi. This momentous event was followed by the UK's withdrawal from the Gulf region and the subsequent formation of the federation of the United Arab Emirates (UAE) in 1971. Since then Abu Dhabi has witnessed a period of remarkable social and economic development (UAE, 2012; Visit, 2012a). In the span of one generation, a previously semi-nomadic people, whose lives centered on seafaring and pearling in the summer and date farming during the winter (Al-Fahim, 1995) have seen Abu Dhabi transform into a modern state which now enjoys one of the highest per capita GDP ratios in the world (Visit, 2012b).

In order to ensure the Emirate's continued socio-economic progress, the leadership of Abu Dhabi is implementing strategies aimed at achieving increased economic growth and diversification. High on its agenda is a desire to reduce Abu Dhabi's dependence on oil (ADCED, 2009). Abu Dhabi's Vision 2030 has established the core pillars necessary for developing a sustainable knowledge-based economy. To this end, the Emirate is investing in a range of non-oil producing sectors including aviation, tourism, media and financial services. Integral to this development process is the cultivation of an economic and business environment that will support the integration of Abu Dhabi into the global economy (The World Factbook, 2012). Establishing a culture of good corporate governance is essential in underpinning this process if Abu Dhabi is to successfully attract Foreign Direct Investment (FDI) as well as local investment and grow export markets (Barakat, 1993; Cadbury, 2002; ADCED, 2009).

This chapter first outlines the socio-economic development of Abu Dhabi, briefly exploring the geography, people and culture, religion and values, political structure and economic

development. Second, within this context, the evolution of a corporate Governance culture in Abu Dhabi which creates competitive advantage (Charan, 1998) is considered. Third, the mechanisms for promoting corporate governance in Abu Dhabi are briefly examined. Finally, attempts to deal with the main challenges for developing a strong culture of corporate governance within the Emirate are discussed in some detail.

4.2 SOCIO-ECONOMIC DEVELOPMENT OF ABU DHABI

This section provides an overview of the socio-economic development of Abu Dhabi, and the contextual setting within which the leadership of Abu Dhabi is seeking to establish a culture of good corporate governance across both the private and public sectors.

4.2.1 Geography

The UAE is located in the Middle East region on the Arabian Gulf, and borders Oman, Saudi Arabia and Qatar, as shown in Figure 1 below (ADCED, 2009; Visit, a and b). The country is around 80,000 square kilometers in size, with an estimated population of 8.2 million in 2009, and a population growth rate of 1.6% from the previous year (NBS, 2006, 2010). Seven Emirati citizens represent approximately 20% of the total population, with the remaining comprising expatriates of which the majority originate from other than Arab nations, principally India, Bangladesh, Iran, and the Philippines. The urban population is estimated to represent approximately 84% of the total population (World Factbook, 2012).

Figure 4.1: Map of the Middle East Region and location of Abu Dhabi



Source: <http://www.mideastweb.org/muae.htm>

Abu Dhabi is the largest of the seven emirates with an estimated population of approximately 2.1 million in 2011 (ACAD, 2010, 2011). As with the UAE overall, Emirati citizens make up close to 20% of the Emirate's population. Abu Dhabi accounts for over 80% of the country's total land mass, and has a coastline that stretches over 700 kilometers. The Emirate's terrain primarily comprises of desert and arid land, with only 30 percent of land inhabited. The climate is sunny and dry, with summer daytime temperatures regularly climbing above 40 degrees Celsius. Land cultivation and irrigation for agriculture and forestation have enabled growth in the Emirate's agriculture sector, with just over 1 percent of total land area now used for agriculture. A lack of natural fresh water represents one of the most pressing environmental issues facing the Emirate, with desalination plants and efforts to promote the conservation of water aimed at redressing this problem. Other environmental issues include desertification and beach pollution from oil spills (Visit, 2012b and c).

The city of Abu Dhabi is located in a low-lying island on the coast, one of approximately 200 islands within the Emirate's territories. Most islands are uninhabited, with many designated wildlife sanctuaries. Abu Dhabi is the capital of the UAE and the seat of its federal government, as well as the centre of the country's oil industry. The Emirate's second largest city is Al Ain, located in the east and close to the Hajar Mountains. The Emirate is divided into three administrative regions: the City of Abu Dhabi, the Eastern Region and the Western Region (ADCC, 2010, 2011).

Abu Dhabi's geographical location in the Gulf region provides it with the opportunity to act as a bridge between the economies of Asia, the European-Mediterranean region, and Africa. Nevertheless, in order to position itself on the global economic map, it is vital that the Emirate embrace a culture of good governance (Coglianese, et al, 2004). Moreover, this must be achieved within the context of the people and culture of the Emirate (INSTEAD, 2011).

4.2.2 People & Culture

Before the discovery of oil in Abu Dhabi, little was known to the outside world of the people, history or culture of the region. However, it is estimated that in the early 1800s the population of the Trucial States was in the vicinity of 72,000. The population primarily lived in small settlements dotted along the coast, and was made up of fishermen, pearl divers, seafarers, traders and other people involved in trades and services necessary to support seasonal pearl diving (Al-Fahim, 1995). Other people lived in the desert, which saw a low level of agricultural activity including date and camel farming. Overall, very little in the way of industry existed in the region. Life was centered on family and the tribe, and people were socially, economically and politically interdependent, creating a common culture and social identity (UAE, 2012).

In the coastal areas people relied heavily on a diet of fish, whilst inland the Bedouin diet was largely based on dates, camel milk and meat. This diet was supplemented where possible by items imported from neighboring countries such as Bahrain and Iraq. Many families spent the winter months in the town of Abu Dhabi, fishing and pearl diving, and the summer inland in settlements such as Al Ain where they tended farms (Visit, 2012a; UAE, 2012).

Life for people in the Emirate was simple and challenging before the export of oil brought income into the Emirate and dramatically increased the standard of living. Until the 1960s, much of the population lived in Barasti houses made from the branches of date palms, although prominent merchants and the ruling family owned houses made from earth. There was little access to fresh water or electricity, and wood brought by Bedouins was used to make fires for cooking. Access to schooling was limited, with religious schools providing the primary source of education and the Quran being the only book available to read. As a result, the majority of people were illiterate.

As the oil industry grew, Abu Dhabi began to develop into a hub for trade and commerce. The money generated by oil also facilitated a dramatic improvement in the standard of living for its citizens as reflected in improved diet, healthcare, education and housing. The socio-economic transformation of Abu Dhabi also led to an influx of foreigners, resulting in an urgent need to expand local infrastructure and services to support the growing population. This in turn led to numerous business opportunities, with many Emirati families opening businesses across a broad spectrum of industries. At the same time, the demand for both skilled and unskilled expatriate labour grew sharply, as did the need to build schools to train and educate the local population. These changes compelled the people of Abu Dhabi, accustomed for centuries to a very traditional and quiet way of life centered on family, the tribe and religion, to adjust to life in a rapidly growing economy and multiethnic society, as

Abu Dhabi transformed into a modern city and assumed its place in the global economy. At the same time, the citizens of Abu Dhabi were compelled to embrace a diverse range of cultures, religions and languages from the visitors and expatriate labour from around the globe. These changes have, at times, placed considerable stress on Emirati culture and traditions (Visit, 2012a).

As the Abu Dhabi economy has grown and there has been a concomitant need to introduce new systems, structures and technologies to enable the Emirate to modernize and grow. There has also been a pressing need to educate and train the citizens of Abu Dhabi to ensure they can take their rightful place in the development of the Emirate. Moreover, Emirati social structure has, historically, been based on family and tribal connections, with people's family and tribe being highly influential in shaping their values and behaviour. Family and tribes traditionally support their members financially and emotionally. Not surprisingly, loyalties to family and tribe have remained very strong, and often carry over into business. Consequently, even as the economy has modernized and grown, it is not uncommon for companies to be run by and employ several members of one family or tribe (Al-Fahim, 1995).

In the face of the enormous socio-economic changes Abu Dhabi has witnessed since the discovery of oil in its territories, the Emirate's leadership has sought to guide change in a fashion sensitive to the local culture and value systems, carefully balancing their dual roles as modernizers and guardians of the cultural heritage of their people (UAE, 2012). It is from within this contextual setting that the leadership is seeking to develop a culture of good corporate governance necessary to ensure the Emirate continues to integrate into the global economy.

4.2.3 Religious Issues & Values

Islam is the official religion in Abu Dhabi, and most Emiratis belong to the Sunni sect of Islam (Helaibi, 2006). Islam emphasizes the importance of behaving with generosity, respect and modesty, and has a strong influence on most aspects of daily life, including law, marriage, inheritance, education, daily routines (e.g. prayer times), and dress. This common religion has become the cement that has held Emirati society together, and its influence on life in Abu Dhabi extends to the way business is conducted in the Emirate (Hill, et al., 1998). This is reflected in the emergence of the Islamic banking system, as well as the importance of Islamic law which forms the basis of legislation in the UAE (Communicad, 2012).

4.2.4 Political Structure

Historically, the political system in the region has centered on tribal chiefs, or sheikhs, and a system of tribal government. The ruling sheikh held ultimate power over his people, and was responsible for overseeing everything associated with their well-being and prosperity. This included judging disputes between tribes and individuals, declaring war and negotiating peace, raising taxes and tariffs, maintaining the treasury, and representing their people to the outside world. Ideally sheikhs governed in consultation with the elders and prominent members of the tribe, village or town.

This system of tribal government largely remained in place until the formation of the UAE in 1971, following the withdrawal from the region of the British and end of the British protectorate over what was then called the "Trucial States" (Al-Fatim, 1995). In 1971, His Highness Sheikh Zayed bin Sultan Al Nahyan, the late President of the UAE and former ruler of Abu Dhabi and His Highness Sheikh Rashid bin Saeed Al Maktoum, the late Vice-

President and Prime Minister of the UAE and former ruler of Dubai, brought together six of the seven emirates (Abu Dhabi, Ajman, Dubai, Fujairah, Sharjah and Umm Al Qaiwain) to form the federation of the UAE, perhaps best described as a federation of constitutional monarchies. The seventh emirate, Ras Al Khaimah, joined in 1972. The traditional tribal system of government in each emirate facilitated the establishment of the UAE, with the established system of hereditary dynastic family rulers operating as local governments under the umbrella of the federal system (UAE, 2012).

In 1996, a permanent constitution was accepted by the emirates, and the city of Abu Dhabi was accepted as the capital of the UAE. The ruler of the Emirate of Abu Dhabi became the president of the UAE. Under the current political system, the Supreme Council is the highest federal authority in the UAE, and comprises the hereditary rulers of the seven emirates. The Supreme Council has both legislative and executive powers. Under the constitution the Supreme Council appoints the prime minister; this has traditionally been the ruler of the Emirate of Dubai. The Federal government also comprises the Cabinet, consisting of ministers largely drawn from the ruling families of emirates late H.H ShZayed Bin Sultan Al Nahyan, the Federal National Council, the country's advisory council and legislative body, and an independent Federal Judiciary which includes the Federal Supreme Court and Courts of First Instance.

The Federal government has initiated strategies to improve planning, execution and excellence in governance, while aiming to improve the living standards of UAE nationals by improving education and health care, furthering social development, enhancing government services, developing human capital and advancing the global standing of the UAE. The UAE Government Strategy 2011-2013 seeks to promote "an accountable, lean, innovative, and forward-looking government."(UAE, 2012)

The tradition of the 'Majlis' continues to this day where citizens can access their leaders to discuss concerns and grievances. The Majlis has served as a form of political participation and governance appropriate to the cultural context of the UAE. However, while the majlis system is well suited to smaller societies, it has become increasingly difficult to maintain as the population grows. Together with the increasing sophistication of government administration, people are now may be required to deal directly with government institutions on most matters rather through personal meetings with the ruler (UAE Interact, 2012).

4.2.5 Abu Dhabi

H.H Shiekh Khalifa bin Zayed Al Nahyan is the hereditary ruler of Abu Dhabi, and President of the UAE. His brother, H.E Sheikh Mohammed bin Zayed Al Nahyan, is the Crown Prince of Abu Dhabi, Chairman of Abu Dhabi's Executive Council, and Deputy Supreme Commander for the armed forces of the UAE.

Formed in 1971, the Abu Dhabi Executive Council is the executive authority in the Emirate and assists the ruler in carrying out his powers. The Executive Council meets with government departments and authorities on a regular basis to discuss issues relating to government-sponsored projects, the development of government services, and the improvement of government performance. This is not surprising, according to Mufi (2000; 2008) there is a growing tendency to reject complacency and the status quo and to press for dramatic improvement.

The General Secretariat of the Executive Council is the administrative body that proposes public policies and strategies to be decided on by the Executive Council. It also provides support services to the Executive Council as required.

4.2.6 Economic Development

The earliest human occupation of what is now the UAE is recorded as far back as 5500 BC. Settlements in the region grew as the result of trade with Syria, Iran, India, and Mediterranean countries. In the 1600s and 1700s, foreign powers including the Portuguese and Ottomans struggled against a group of sheikhs known as Qawasim to control trade in the region. In the second half of the 1700s, the British intervened to take control of trade routes leading to the signing of individual treaties with each of the emirates in the early 1800s, and the region became known as the Trucial States (UAE Interact, 2012).

On the back of a booming pearling industry, the economy grew in the 1800s and early 1900s, with the Gulf being one of the most prolific pearl producing areas in the world. However, the combined impact of World War I, the Great Depression, and the production of cultured pearls on a commercial scale by the Japanese in the 1920s, resulted in the collapse of the local pearling industry.

In 1939, the first oil concession was granted in Abu Dhabi to the Trucial Coast Oil Development Company. The company discovered its first commercial oilfield at Bab in 1960, with others to follow. In 1962 the company changed its name to the Abu Dhabi Petroleum Company (ADPC). In the meantime, the venture known as Abu Dhabi Marine Areas (ADMA) was also granted an oil concession, making its first commercial oil discovery in 1958, and first commercial shipment of oil from Abu Dhabi in 1962. Then, in 1971, Abu Dhabi established a national oil company, Abu Dhabi National Oil Company (ADNOC), to take over the Emirate's interests in all oil and gas fields. Together with the other six emirates, the UAE is currently estimated to hold the world's sixth largest oil reserves, with Abu Dhabi accounting for the majority of these reserves (UAE Interact, 2012).

Since the discovery of oil, and subsequent rapid growth of its upstream hydrocarbon sector, Abu Dhabi has undergone a profound transformation into a modern economic centre both in the region and globally. Its citizens have benefited from a vastly improved standard of living, including better access to education, health-care, housing and government services. However, it is important to note that fast growth of health organizations has meant that top management in the health care system lack the necessary training and experience to direct the newly emerged health care organization (Alkhazem, 2005). Since the Emirates benefits from one of the highest per capita GDP rates in the world, it can afford to employ management firms and recruit skilled workers and managers from the United Kingdom (UK) and the United State (US) (Mufi, 2008).

The Abu Dhabi government has been instrumental in fostering this economic development through, amongst other things, expenditure on infrastructure, and through investments in industry and job creation. At the same time, private sector investment has largely been driven through the formation and growth of family businesses, reflecting not only the pooling of family resources, but also the important family and tribal relationships that govern Emirati society (Tharawat Family Business Forum, 2012).

Despite the tremendous benefits that have come from the Emirate's hydrocarbon sector, the leadership of Abu Dhabi has recognized the need to broaden and diversify the economy in order to ensure sustainable and long term growth. To this end, the Emirate has encouraged investment across a range of sectors including construction, commerce, transportation, tourism, and telecommunications. The launch of the Abu Dhabi Vision 2030 (Vision 2030) in 2009, developed by the government in consultation with the private sector, provides a 22 year strategy to achieve long-term sustainable economic growth. The Vision 2030 sets out nine pillars that form the architecture of the Emirate's social, political and economic future,

including a large empowered private sector, and sustainable knowledge-based economy. Other pillars include a transparent regulatory environment, and maintaining the Emirate's values, culture and heritage. The key priority areas for public policy are:

- Economic development
- Social and human resources development
- Infrastructure development and environmental sustainability
- Optimization of government operations

(Tharawat Family Business Forum, 2012).

The government is seeking economic development through economic diversification and the creation of higher-value employment opportunities. More specifically, Vision 2030 indicates that future growth in the Emirate is to focus on the following sectors:

- Energy – Oil & Gas
- Petrochemicals
- Metals
- Aviation, Aerospace and Defence
- Pharmaceuticals, Biotechnology & Life Sciences
- Tourism
- Healthcare Equipment and Services

- Transportation, Trade & Logistics
- Education
- Media
- Financial Services, and
- Telecommunication Services

These sectors are considered to have good growth potential going forward, and are aligned with the Emirate's broader development agenda.

In accordance with the Vision 2030, the government is putting measures in place to develop a dynamic and open economy that provides an attractive environment for local and foreign investment (TADEV, 2012). A key objective is to make the private sector the main driver of economic growth in the future. Accordingly, the government is trying to increase the Emirate's international competitiveness and enhance the local business environment through a range of measures including, but not limited to: legislative reform; ensuring all economic policy is formulated with reference to rigorous data sources and statistical information; the establishment of a dedicated Investment Promotion Agency; and the opening of a world class Export Promotion Agency. At the same time initiatives are in place to restructure the government in order to create greater efficiencies and improve the overall operation of the economy; this includes the outsourcing of a range of government services to more efficient private sector service providers, including the formation of private-public partnerships (PPPs) for the delivery of a range of service and infrastructure projects (ABDE, 2012).

Within the context of what the leadership of Abu Dhabi is trying to achieve, namely the long-term sustainable development of a knowledge-based economy, the importance of developing a strong culture of good corporate governance is critically important (Bjerke and Al-MEER, 1993). As Halib and Salleh (2006) contend, many developing countries have adopted Western management theories and practices. Although this claim is difficult to confirm, observations suggest that Western management has by and large influenced the managerial culture and practices in Abu Dhabi (Mutabaqani and Ajmi, 2001), though not all of these theories are applicable in the real world (Ochoa and Mujtaba, 2009). This is particularly important for the Emirate to successfully attract both local and foreign investors who demand rules, standards and procedures that demonstrate international standards of corporate discipline, as expected in West, in company management (Weier, 2001). This includes greater levels of transparency and accountability across the management and operations of companies than has historically been the case in the Emirate (ABDE, 2012).

4.3 COMPANY OWNERSHIP AND THE EVOLUTION OF A CORPORATE GOVERNANCE CULTURE IN ABU DHABI

According to Hareb Al Darmaki Chairman, Abu Dhabi Securities Markets (News Details, 2006: 1)

"For Abu Dhabi, the benefits of privatization are clear and there are few, if any disadvantages. The country is growing at a rate well ahead of its natural ability to provide the resources required by this rate of growth. We simply do not have all the skills, technology, expertise, human resources and associated intellectual and non-financial capital to manage and implement the growth on the scale that is the vision for the country...Partnering with the private sector is the most efficient way of achieving the capital's growth and development plan, [and] the private sector should mirror the diversification of the public sector by encouraging the listing and corporatization of private

family companies. There is a growing need for private family companies to adopt a model driven by corporate governance to ensure continuity in (management) succession and the maintenance of generated wealth. Faced with new competition in local markets, family companies will see increased benefits through private placement or converting into public joint stock companies.

They will share risk with other investors, gain access to capital to finance growth and retain market share as WTO, FTA, and other international obligations reduce the domestic level of protection currently available to family businesses...[] Government ownership and family ownership of the major enterprises of this country during its early development phases have served well to nurture a fully functioning, globally integrated, developed economy in the UAE. But the time is right for privatization to fuel the next stages of our expansion. The ADSM is continuing to support the government and encourage major shareholders in companies with narrow shareholding base to increase the amount of stock available for public shareholding, as well as the percentage of company stock that may be held by anyone”.

The rapid economic development that has occurred in Abu Dhabi since the discovery of oil in the last century has primarily been driven by the public sector, frequently through government-owned corporations (GOCs). In 1971, the formation of the Abu Dhabi National Oil Company (ADNOC) took over the government's interests in all oil and gas fields in the Emirate (Cunningham and Sarayrah, 1994). To date, the private sector has typically taken a secondary but supporting role in driving economic growth, often through family owned businesses. More recently, increasing importance has also been placed on PPPs as vehicles for achieving long-term development objectives. This section briefly discusses the differing forms of company ownership in Abu Dhabi, as well as the role of PPPs. This is followed by a discussion of the government's role in developing a culture of international best practice in

corporate governance in GOCs, private sector organizations, as well as implications for the management of PPPs.

4.3.1 Government-Owned Corporations: An Overview

GOCs can be defined as state-owned enterprises, state-owned entities, state enterprises, publicly owned corporations, government business enterprises, or any para-statal legal entity created by a government to undertake commercial activities on behalf of an owner government organization. The legal status of these organizations varies from being fully owned by the government, to partial government ownership, through to joint-stock companies with the state as a regular stockholder. The defining characteristics of GOCs are that they have a distinct legal form and are established to operate in commercial affairs. While a GOC may also have public policy objectives, GOCs should be differentiated from other forms of government agencies established to pursue purely non-financial objectives.

GOCs can be fully owned or partially owned by government. As a definitional issue, it is difficult to determine categorically what level of state ownership would qualify an entity to be considered "state-owned", since governments can also own regular stock in companies without this implying any special interference. GOCs are often the result of corporatization, a process in which government agencies and departments are re-organized as semi-autonomous corporate entities, sometimes with partial shares listed on stock exchanges.

The transfer of government assets or agencies into GOCs is often undertaken in order to introduce corporate management techniques to their administration. Corporatization is sometimes a precursor to partial or full privatization, which refers to a process by which formerly public assets or functions are sold or given to corporate entities by listing the shares

of the GOC on publicly-traded stock exchanges. A common model is for public institutions to be corporatized and operated as autonomous joint-stock companies, while still being majority government-owned and run by government entities separate from a central government. Since 2004, the Abu Dhabi government has tended towards the corporatization of certain public entities including the Tourism Development & Investment Company (TDIC), the Abu Dhabi Airports Company (ADAC), and the Abu Dhabi Ports Company (ADPC).

GOCs often operate in sectors where there is a natural monopoly, or where the government has a strategic or social interest. Examples include: electricity, water, health care, education, communications, public transport and airports. However, government ownership of industrial corporations is also common. In most OPEC countries, governments own the oil companies operating on their soil. Notable examples include ADNOC in Abu Dhabi, and the Saudi national oil company, Saudi Aramco, which the Saudi government bought in 1988, changing its name from the 'Arabian American Oil Company' to the 'Saudi Arabian Oil Company'. The Saudi government also owns and operates Saudi Arabian Airlines, and owns 70% of SABIC, as well as many other companies. However, they are being gradually privatized.

A variation of GOCs is government-linked companies (GLCs). GLCs are corporate entities, that may be private or public (i.e. listed on a stock exchange), but where an existing government owns a stake using a *holding company*. There are two main definitions of GLCs, each dependent on the proportion of the corporate entity a government owns. One definition purports that a company is classified as a GLC if a government owns an effective controlling interest (>50%), while the second definition suggests that any corporate entity that has a government as a shareholder is a GLC. The economy of Singapore is dominated by GLCs that produce as much as 60% of the country's GDP. These GLCs are owned by a government holding agency, Temasek Holdings. Singapore Airlines is an example of a GLC.

The opposite of 'privatization' is 'nationalization' where the ownership of companies or projects is transferred to the public sector. During the 20th century, many countries nationalized large-scale companies or project considered to be of strategic importance. This was particularly true in Western Europe after World War II to ensure government control over natural monopolies and important industries, or to control projects of strategic importance. Examples include: the Suez Canal Company in Egypt in 1956; the Royal Bank of Scotland in the UK in 2008; and Citigroup in the USA in 2009 (OECD, 2004; Department of Planning and Economy, 2008).

4.3.1.1 Abu Dhabi and Government-Owned Corporations

In the UAE, in accordance with Article 7 of Commercial Companies Law of 1984 (CCL), a company in which the State or any other public body hold any share capital, irrespective of its amount, shall be incorporated only as a 'PJSC'. Therefore, all companies owned fully or partly by any of the governments in the UAE shall be incorporated as a PJSC. In the case of Abu Dhabi, the National Bank of Abu Dhabi (NBAD), for example, is partially owned by government and has adopted the form of a PJSC. NBAD is also listed on the Abu Dhabi Security Market.

Table 4.1: Companies fully or partially owned by the Abu Dhabi government by Legal Type

Type of company	Ownership Link	Examples
A: Public Joint Stock Company (PJSC) - Unlisted Companies in stock market	Directly and fully owned by the govt.	Mubadala Emirates Palace ADPC ADAC Al-Itihad
- Companies listed on the stock Market	Partially owned by the govt.	AD National Insurance Co. Taqa (National

		Energy Co.)
B: Limited Joint Stock Company (LJSC)	Indirectly owned by the govt.	MASDAR (fully owned by by Mubadala)
C: Limited Liability Company (LLC)	Indirectly and partially owned by the govt.	Abu Dhabi Co. for Gas Development (owned by ADNOC + foreign company)

Source: Data Analysis

In another example, the Abu Dhabi Ports Company (ADPC), which is fully owned by Abu Dhabi government, has been formed as a PJSC. Nevertheless, many companies that are fully or partially owned by the Abu Dhabi government have also been formed as 'limited liability companies' (LLC), reflecting the degree of the company's relationship with the government. This is explained by way of examples (See Table 4.1).

For the purposes of this chapter, and in the context of corporate governance issues, GLCs will be referred to as GOCs rather than referring to them separately.

According to the '2012 Accountability Report' published by the Abu Dhabi Accountability Authority, the Abu Dhabi government has an interest equal to or greater than 50% in approximately 160 GOCs. Further to this, information provided by the Abu Dhabi Stock Market indicates that 69 GOCs are currently listed on the exchange. Of these, 22 are partially owned by Abu Dhabi government, with ownership held either directly, such as in the case of the Abu Dhabi Ships Building company (ADSB), or indirectly through a holding company (e.g. Abu Dhabi Investment Council or Mubadala). Examples of government ownership held through holding companies include:

- Abu Dhabi Investment Council (ADIC):
- Abu Dhabi Commercial Bank (ADCB)
- Abu Dhabi Islamic Bank (ADIB)
- National Bank of Abu Dhabi (NBAD)

- National Union Bank
-
- Mubadala:
 - ALDAR
 - First Gulf Bank
 - Al-Waha Capital
- Abu Dhabi Investment Authority (ADIA):
 - Al-Itihad
 - Union Cement Company (UCC)
- General Holding Company (GHC):
 - ARKAN Building Materials Co.
 - Agathia

The Abu Dhabi government is seeking to limit the operation of GOCs to certain strategic projects and industries where the private sector cannot readily operate alone. Moreover, in order to ensure a level playing field, all the laws and regulations that apply to private companies are applicable to GOCs. Further to this, access to finance from state-owned banks and financial institutions is based on purely commercial grounds. Notwithstanding, obligations and responsibilities of GOCs in terms of public services must be clearly mandated by laws and regulations.

4.3.2 Private Sector Companies and the Importance of Family Owned Businesses

While the public sector in Abu Dhabi has been the principal vehicle driving economic growth in Abu Dhabi, primarily through its role in the oil and gas sector, the private sector has also played an important role. Although the oil sector is expected to continue to grow, increasing emphasis is being placed on economic diversification and increasing the role of the private sector. The key sectors identified in the Abu Dhabi Vision 2030 for driving growth over the coming years have been outlined in Section 4.1. The government is seeking to develop a large and empowered private sector that will play a major role in the growth of these sectors, and to this end is striving to create, "a suitable environment that will allow businesses and sectors to develop." The Vision 2030 indicates that it is the government's intention that, "those sectors where the Emirate has a competitive advantage at a global level will thrive" (The Abu Dhabi Economic Vision 2030, 2011). It is estimated that by 2030 the non-oil sector will represent 64% of total GDP, compared to an estimated 50% in 2010. Much of the growth in the non-oil sector is to come from the private sector Statistic Centre (2010).

One way in which the Abu Dhabi government is seeking to enhance the economic role of the private sector in the Emirate has been through gradually selling its shares in GOCs to the private sector, and through the privatization of public services or property by selling the operation of certain projects to private sector organizations, while the government maintains a supervisory and legislative role. An early example of this was the privatization programme introduced by the Abu Dhabi Water and Electricity Authority (ADWEA) in 1998. Other privatization initiatives currently under consideration include the privatization of Etihad Airways, and the air cargo facilities of the Abu Dhabi Airports Company.

The government recognises that for private sector companies to attract both international and local investors in order to raise the capital necessary to achieve sustainable growth, they must adhere to international best practices in corporate governance. This will include following best practice in relation to the disclosure and transparency of decision-making and financial records, and through the implementation of more effective oversight and internal controls.

4.3.2.1 Importance of Family Owned Businesses

Abu Dhabi has a rich history of private, family run businesses. As a result, the health and performance of these companies is of great importance to the overall growth of the economy. Nevertheless, they are often dominated by the original founder's traditional methods and attitudes towards the management and operation of their companies. However, the overlap of responsibilities for executive and board decisions, an over-reliance on personal family relationships, a lack of proper disclosure and transparency about decision-making and financial records, and the need for more effective oversight and internal controls, are often cited as serious issues confronting family businesses in the Emirate and wider Gulf region.

A lack of sound corporate governance frameworks limits the ability of many family owned businesses to attract foreign investors or access capital markets. Therefore, it is vital that family-owned businesses adopt a new culture of business governance if they are to thrive and grow in the future, and fulfill their potential as engines of growth in the Emirate. Nevertheless, in November 2010, during the second Governance Meeting held by INSEAD's Abu Dhabi campus, participants noted that as "the old corporate patriarchs are being replaced by a younger generation of executives (Smith, et al., 2002), often educated at leading business universities. As a result the business culture is changing and as power is split in the

family, younger members are setting up their own companies and running them in a less autocratic and closed manner (INSEAD, 2011).

Those involved in family businesses have indicated that their owners often find it difficult to trust “outsiders,” even if the “outsiders” are board members (Parkhe, 1993). Hence, the decision making powers of the boards of family business are sometimes compromised. This is particularly critical when “hard” decisions must be made, as was highlighted during the fall out of the global financial crisis. Since the crisis, banks and other investors have placed increased scrutiny on corporate governance practices, including the independence, strength and abilities of boards. There is now a need for independent non-executive board members, and those with international experience, are considered as extremely valuable. A further challenge is the difficulty of recruiting non-executive board members with sufficient skills and experience, and who have the time to commit to truly understanding the business activities of family owned companies.

In a workshop held in February 2012, by the Dubai Chamber of Commerce and Industry, Sameer Huda, Head of Corporate, Dubai, Hadeef & Partners, pointed out that while there is evidence of a high failure rate of family businesses transitioning to the second and third generations, “those that do survive and thrive tend to have addressed family governance, succession planning, corporate structuring and corporate governance in some meaningful manner” (Dubai Chamber Workshop, 2012).

4.3.3 Importance of Private - Public Partnerships

PPPs are another mechanism being used by the Abu Dhabi government to increase private sector involvement in the economic development process in order to meet the growth

objectives set out in the Vision 2030. According to a study by the Department of Planning and Economy in 2008, the future of economic development in Abu Dhabi rests largely on strategic partnerships between the private and public sectors, including involvement in projects that were previously 'government only'. The study contends that expanding the role of the private sector is necessary in order for Abu Dhabi to meet future economic challenges and for it to compete effectively in regional and global markets (Department of Planning and Economy, 2008).

PPPs provide the private sector with opportunities to contribute to public sector projects in the provision of both service and infrastructure. At the same time, private sector organizations can bring to the table a level of experience and expertise sometimes lacking within government organizations, thereby increasing efficiency while at the same time freeing up government resources to concentrate on core activities. Hence, PPPs provide a vehicle for pursuing growth objectives that government organizations would otherwise not have the requisite skills, expertise, technology, or financial resources necessary to undertake.

In Abu Dhabi, PPPs have been introduced across many sectors. Examples include:

- Health care – e.g. John Hopkins Medicine's management agreement to operate Abu Dhabi's largest hospital, Tawam Hospital.
- Education – Since 2006, ADEC entered into agreements with private school operators to enhance the operation of public schools operations. It is estimated that over 150 schools in the Emirate are operated under PPP agreements.
- Roads – Abu Dhabi's Department of Transport has entered a PPP offering a 25 year concession to upgrade, operate and maintain the 327 kilometre Mafraq-Ghweifat highway.

- Rail - Etihad Rail awarded the Italian companies, Saipem and Tecnimont, and the regional company Dodsall Engineering & Construction, contracts for the design and construction of the 266 kilometer first phase of the Etihad railroad linking Hashsan with Ruwais and Shah by 2014.

4.3.4 Role of Government in Developing Corporate Governance Culture

Good corporate governance standards in public, private and semi-government sectors are fundamental in any economy to ensure financial market stability, attract investment, ensure competitiveness, and underpin economic growth. Governments worldwide play a pivotal role in their capacity as policy makers, legislators and regulators to ensure international best practice in corporate governance are implemented, monitored and enforced.

The repercussions of the global financial crisis brought into sharp focus the importance of good corporate governance standards. With corporate governance now clearly on the public agenda globally, governments need to determine how best to safeguard the interests of all shareholders and stakeholders across public, private and semi-government sectors (Charreauxm and Desbrieres, 2001) without stifling the dynamism that underlies a strong economy. Coglianese et. al., (2004) suggests that consideration must also be given to how best to regulate and monitor corporate governance practices. This includes consideration of how regulations and oversight is shared across different jurisdictions and levels of government, with both federal and state governments having jurisdiction over publicly traded companies. How responsibility for regulations and oversight are shared with various non-government organizations must also be determined. Governments must also decide how best to enforce corporate governance standards (Conger and Lawler, 2002) including if enforcement should target individual perpetrators, or the corporations in which the

misconducts occurs. Furthermore, they should analyze why some individuals and organizations adhere responsibly to regulations, while others do not. Ultimately, the effectiveness with which corporate governance standards are enforced will affect the overall credibility of the regulatory system, deter bad practice, and provide a level playing field for all shareholders and stakeholders. However, care must be taken not to diminish the healthy risk-taking necessary for entrepreneurial spirit and economic growth. Government decision makers must therefore fully understand the likely impact of the corporate governance framework they are looking to introduce, as well as how it will be enforced, within the context of the environments within which they operate (Coglianese et. al., 2004).

The OECD Principles of Corporate Governance (OECD Principles) have become the international benchmark for policy makers, investors, corporations and other stakeholders globally, providing guidance for legislative and regulatory initiatives for both OECD and non-OECD countries (De Andres et al., (2005). The OECD Principles also underpin the corporate governance component of the World Bank/IMF Reports on the Observance of Standards and Codes (OECD, 2004). In the foreword to the OECD Principles, Donald J Johnston, OECD Secretary-General explains:

"Our efforts will also help develop a culture for professional and ethical behavior on which well-functioning markets depend. Trust and integrity play an essential role in economic life and for the sake of business and future prosperity we have to make sure that they are properly rewarded" (OECD, 200, P. 4).

4.4 VEHICLES AND MECHANISMS FOR PROMOTING CORPORATE GOVERNANCE IN ABU DHABI

4.4.1 Overview of Developments in Corporate Governance in Abu Dhabi

The global financial crisis brought to everyone's attention the importance of applying international corporate governance standards to the public, private and semi-government sectors. The Abu Dhabi government is committed to ensuring that all necessary rules and practices pertaining to corporate governance are in place and adhered to in order to ensure transparency and accountability in business, and to safeguard the interests of all shareholders and stakeholders. Through the promotion of a culture of good corporate governance, the leadership of Abu Dhabi hopes to improve business performance, attract investment, and ensure the future growth of the economy (Charreax and Desbrieres, (2001).

While the Abu Dhabi government, in conjunction with the Federal government, is developing systems to ensure the adoption of and adherence to international best practice, it is doing this with reference to the OECD Principles of Corporate Governance (OECD, 2004). The corporate governance principles developed by the OECD were developed based on extensive experience and rigorous research, and are seen as the international benchmark for policy makers (De Andres et. al, 2005). The OECD Principles address:

- The rights of shareholders and key ownership functions
- The equitable treatment of shareholders
- The role of stakeholders in corporate governance
- Disclosure and transparency

- The responsibilities of the board (OECD, 2004, P.7).

In order to compete effectively in a global market place, it is crucial that Abu Dhabi adhere to international best practice. While it might be necessary to tailor specific areas of corporate governance in order to adapt them to the culture, values and principles of the Emirate, it is also necessary that Abu Dhabi accepts the common ground that must prevail when adopting corporate governance standards if the Emirate is to position itself as part of the global economy and compete effectively (John and Senbet, 1998).

In December 2008, the Abu Dhabi Government Accounting Authority (ADAA) was established as an independent reporting body to His Highness the Crown Prince of Abu Dhabi. The ADAA's mandate includes playing an active role in monitoring governance standards across subject entities comprising local departments, councils, authorities, as well as institutions, companies and projects in which the Abu Dhabi government's interest is equal to or greater than 50% (Abu Dhabi Accountability Authority, 20-12). ADAA indicates that its main objectives are to:

- Ensure that public entities' resources and funds are managed, collected and expended efficiently, effectively and economically
- Ensure the accuracy of financial reports and the compliance of public entities with the relevant laws, rules and regulations and governance guidelines
- Promote accountability and transparency principles at the public entities (Abu Dhabi Accounting Authority, 2012).

ADAA's stated mission is to help improve performance and promote accountability and transparency across the Abu Dhabi Government and public entities by providing independent and objective assurance and advisory services. The ADAA also issues a Governance Report outlining its own

practices in order to earn the trust of its stakeholders, and to provide an example of the highest standards of accountability and transparency in its operations.

In early 2009, in a further initiative to promote the adoption of corporate governance standards in Abu Dhabi, the ADCCI launched the Abu Dhabi Centre for Corporate Governance (ADCCG). The ADCCG's role is to support the companies and institutions in the Emirate in the adoption of international best practices through raising awareness and building local capacity in the field of corporate governance (Nadler, 2004). At the launch of the ADCCG, HE Khaflan Saeed Al Kaabi, board chairman of the Centre, indicated that the ADCCG aims to assist the "public and private sectors to assess the application of regulations and rules of corporate governance in their institutions." The role of the ADCCG is to:

- Provide specialist advisory consulting services
- Undertake internal audits and risk assessment
- Provide specialist training and professional development services
- Undertake and disseminate research and information on corporate governance issues
- Organize seminars and an annual conference dealing with issues relating to the development, application and adherence to corporate governance standards.

Companies incorporated in Abu Dhabi operate under Federal laws. In the UAE the legal structure of companies is set out in the Commercial Companies Law No. 8 (1984), and subsequent revisions. The law prescribes activities for the formation of companies, but it does not give precise instructions about the activities of boards, or the liabilities, duties and accountabilities of board members. At the time of writing, a new Federal law for commercial companies was being drafted that is expected to improve the business landscape in the UAE by making it easier to conduct business in the Emirates. It is also anticipated that this new law will strengthen the corporate governance standards of *public*

joint-stock companies by improving and clarifying the rights of stakeholders, improving transparency through the disclosure in financial statements, and increasing the integrity of boards (Monks and Minow, 1995). This in turn should assist companies in attracting investment capital. The new law is also expected to enforce stricter corporate governance standards on *private* joint-stock companies, including issuing specific requirements for the boards of these companies to bring them in line with international standards (Renton, 1999). The new requirements will be enforceable by the SCA (El Ghul and Sadek, 2012).

In Abu Dhabi as in the wider UAE, the primary mechanism used by government to regulate corporate governance standards is the Ministerial Resolution No. 518 (R/518) of 2009 Concerning Governance Rules and Corporate Discipline Standards (See Appendix One). R/518 has drawn extensively on international standards of best practice. Prior to 2009, the Corporate Governance Code for Joint-Stock Companies (2007) (R/32) set out the governance framework to be followed by joint stock companies across the UAE, including prescribing the legal requirements for boards, members, the relationships of members to companies, and other aspects related to governance. However, in 2009, the Ministry of Economy introduced R/518 which superseded R/32. The changes indicated in R/518, the core tenets of which are the promotion of transparency and compliance, followed one of the most tumultuous years experienced by global financial markets and pointed to more robust corporate governance regime as a precaution against further financial shocks, and indicated that the Ministry of Economy is pursuing a course of increased accountability and economic efficiency (Bainbridge and Saliba, 2010).

Further to R/518, in 2010, the Board of Directors of the SCA issued a “Circular Concerning Matters Relating to Corporate Governance” (Circular) which is ancillary to R/518, and introduces mandatory requirements for companies listed on the UAE financial markets (Szadkowska, 2010).

A discussion of the regulations and legislation that apply to the corporate governance framework of companies in Abu Dhabi, including financial institutions, and GOCs is provided below.

4.4.2 Joint-Stock Companies

In the UAE, R/518 is applicable to all companies and institutions - including those that are partially government owned - whose securities are listed on the on-shore securities markets in the UAE, and their board members, but not all companies operating in the UAE. The provisions of R/518 have been effective from 30th April, 2010.

R/518 of 2009 sets out corporate governance standards based on principles of transparency, fairness, accountability and responsibility. The provisions of R/518 prescribe requirements for board structure and operations, including the delegation of board authority, internal and external audit, and the duties of board members. This resolution superseded R/32 (2007). The SCA is charged with the supervision, control and verification of compliance with R/518, and can impose fines for non-compliance (Bainbridge and Saliba, 2010).

The broader initiatives contained within R/518 include that companies should adopt corporate governance rules aimed at creating an internal control system within their company (Norton Rose, 2011) and to:

- Evaluate risk management procedures
- Implement the corporate governance code
- Ensure compliance with local laws and regulations
- Ensure compliance with internal procedures and policies

- Review finance information used in drafting financial statements.

Companies must also establish an effective framework for the protection of shareholder rights, ensure the fair treatment of shareholders, increase transparency and openness, and clearly specify the duties of the board of directors (Hadeef & Partners, 2010). R/518 also requires that the board of directors prepares a corporate governance report on an annual basis to ensure the efficiency of the internal control system of the company and its subsidiaries. R/518 also stipulates mandatory processes for the appointment of board members, including that the composition of the board must include independent (at least one-third) and non-executive directors (at least three, of which two must be independent). Companies must also develop a Corporate Social Responsibility policy. Other features of R/518 as outlined by Al Tamimi & Company include:

- Requirements for the education of board members
- The maximization of individual participation in board processes
- The responsibility of the board in establishing clear rules and practices promoting good governance
- Emphasizing the importance of board committees, and most notably the requirement that two permanent committees be established, namely an *audit committee*, and a *nomination and remuneration committee* (Bainbridge and Saliba, 2010).

Al Tamimi & Company provided the following observations in relation to the key elements contained within R/518:

- **Board Accountability:** R/518 makes it incumbent upon the board to develop a set of procedural rules for corporate governance and to supervise the application of such rules. As a

result corporate governance has a more prominent role, combined with the implementation of an internal control procedure to be verified and monitored by a compliance officer.

- **Board Education:** The development of knowledge and skills of individual board members is also highlighted as a responsibility of the board. This complements the chairman's responsibility to encourage all board members to actively participate in board decisions, thereby maximizing the impact of the skill-set available to the board.
- **Board Committee Independence and Empowerment:** While board committees, by definition, are subject to board control, R/518 specifically notes the requirement for a majority of *audit committee* members to be independent members of the board and underlines the impact of audit committee recommendations – even in the event the board disapproves of the same. For example, the board must include audit committee recommendations concerning external auditors in the annual corporate governance report, which is sent to the SCA and must be made available to shareholders, and explain any reasons for disapproval of the same.

The *nomination and remuneration committee* is also charged with a prominent role under R/518. The primary role of this standing committee is to formulate and review policies on salaries, benefits, bonuses, etc. for board members, executives and employees of the company (Stieglitz, 1969). In addition to this it is also charged with an on-going responsibility to monitor the independence of independent directors, and to follow-up on the procedures for the nomination of board members in line with applicable laws, regulations and R/518 itself.

Further to this, in May 2012, the SCA announced a further tightening of disclosure and transparency requirements for publicly listed companies, including the requirement that directors disclose not only their personal shareholdings, but also those of their spouse and dependent children. Regulations pertaining to the leaking of inside information by directors were also tightened.

4.4.3 Government-Owned Corporations

The provisions of R/518, and the ancillary Circular (2010), apply to all companies and institutions and their board members whose securities are listed on the securities markets in the UAE. However, according to Article 2, clause (c) of R/518, they may not apply to the companies and institutions wholly owned by the Federal or local governments. The Commercial Companies Law No. 8 (1984), and new draft companies law when it is implemented, will also apply to all companies listed on securities markets in the UAE, but not those wholly owned by the government.

To this extent, GOCs that are not wholly owned by the government must adhere to the provisions of R/518, and the ancillary Circular (2010), as they apply to other joint-stock companies and as outlined in the proceeding section. Notwithstanding, under Article 2, clause (d) of R/518, “the Board of Directors of the Authority may exempt Companies to which the Federal Government or a local government subscribes from certain provisions of this Resolution; provided, however, that a Company's request reflects the provisions from which the Company is requesting exemption and the causes of exemption.” It is understood that the circumstances under which GOCs would be permitted exemptions from the provisions of R/518 are limited to ensure a level playing field for all listed companies.

Since 2008, the corporate governance practices of all GOCs in which the Abu Dhabi government owns an interest of 50% or greater have been monitored by the ADAA.

4.4.4 GOCs Wholly Owned by the Abu Dhabi Government and Public Sector Boards

Where a GOC is wholly government owned, the provisions of R/518, Circular (2010), and company law will not apply. To enhance the practice of corporate governance within GOCs wholly owned by the Abu Dhabi government it is recommended that their boards of directors, otherwise known as

Public Sector Boards (PSBs), adhere to the OECD Guidelines on Corporate Governance of State Owned Enterprises (OECD, 2005). These guidelines, primarily based on an empirical study, take into consideration critical factors necessary when applying principles of good corporate governance in state-owned enterprises (SOEs), otherwise referred to here as GOCs fully owned by the government. At the same time they also seek to enhance the efficiency of the operation of these corporations. In the foreword to these Guidelines, Donald Johnston, Secretary-General of the OECD, explains the importance and complexity of formulating corporate governance guidelines for SOEs:

"A major challenge is to find a balance between the state's responsibility for actively exercising its ownership functions, such as the nomination and election of the board, while at the same time refraining from imposing undue political interference in the management of the company. Another important challenge is to ensure that there is a level-playing field in markets where private sector companies can compete with state-owned enterprises and that governments do not distort competition in the way they use their regulatory or supervisory powers" (OECD, 2005, P.3).

In order to ensure that state ownership is exercised in a professional and accountable manner, and that the state plays a positive role in improving corporate governance across the economy, the guidelines proposes that states exercise ownership through a centralised ownership entity, or effectively coordinated entities, which should act independently and in accordance with a publicly disclosed ownership policy. Furthermore, ownership and regulatory functions should be separated. A discussion of the suggested corporate governance framework presented in the OECD guidelines for SOEs is provided below (OECD, 2005).

4.4.4.1 The Responsibilities of the Boards of SOEs (PSBs)

The boards of SOEs (PSBs) should have the necessary authority, competencies and objectivity to carry out their function of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions. Responsibilities of the boards of SOEs should include:

- The boards of SOEs should be assigned a clear mandate and ultimate responsibility for the company's performance. The board should be fully accountable to the owners, act in the best interest of the company and treat all shareholders equitably.
- SOE boards should carry out their functions of monitoring management and providing strategic guidance, subject to the objectives set by the government and the ownership entity. They should have the power to appoint and remove the CEO.
- The boards of SOEs should be composed so that they can exercise objective and independent judgment. Good practice calls for the Chair to be separate from the CEO.
- If employee representation on the board is mandated, mechanisms should be developed to guarantee that this representation is exercised effectively and contributes to the enhancement of the boards skills, information and independence.
- When necessary, SOE boards should set up specialised committees to support the full board in performing its functions, particularly in respect to audit, risk management and remuneration.
- SOE boards should carry out an annual evaluation to appraise their performance (OECD, 2005, P. 17).

4.4.4.1.1 Ensuring an Effective Legal and Regulatory Framework for SOEs

The legal and regulatory framework for state-owned enterprises should ensure a level-playing field in markets where SOEs and private sector companies compete in order to avoid market distortions. The framework should build on, and be fully compatible with, the OECD Principles of Corporate Governance, and thus should include:

- A clear separation between the state's ownership function and other state functions that may influence the conditions for state-owned enterprises, particularly with regard to market regulation.
- Governments should strive to simplify and streamline the operational practices and the legal form under which SOEs operate. Their legal form should allow creditors to press their claims and to initiate insolvency procedures.
- Any obligations and responsibilities that an SOE is required to undertake in terms of public services beyond the generally accepted norm should be clearly mandated by laws or regulations. Such obligations and responsibilities should also be disclosed to the general public and related costs should be covered in a transparent manner.
- SOEs should not be exempt from the application of general laws and regulations. Stakeholders, including competitors, should have access to efficient redress and an even-handed ruling when they consider that their rights have been violated.
- The legal and regulatory framework should allow sufficient flexibility for adjustments in the capital structure of SOEs when this is necessary for achieving company objectives.
- SOEs should face competitive conditions regarding access to finance. Their relations with state-owned banks, state-owned financial institutions and other state-owned companies should be based on purely commercial grounds (OECD, 2005, P.12).

4.4.4.1.2 The State Acting as an Owner

The state should act as an informed and active owner and establish a clear and consistent ownership policy, ensuring that the governance of SOEs is carried out in a transparent and accountable manner, with the necessary degree of professionalism and effectiveness. This includes:

- The government should develop and issue an ownership policy that defines the overall objectives of state ownership, the state's role in the corporate governance of SOEs, and how it will implement its ownership policy.
- The government should not be involved in the day-to-day management of SOEs and allow them full operational autonomy to achieve their defined objectives.
- The state should let SOE boards exercise their responsibilities and respect their independence.
- The exercise of ownership rights should be clearly identified within the state administration. This may be facilitated by setting up a co-ordinating entity or, more appropriately, by the centralisation of the ownership function.
- The co-ordinating or ownership entity should be held accountable to representative bodies such as the Parliament and have clearly defined relationships with relevant public bodies, including the state supreme audit institutions.
- The state as an active owner should exercise its ownership rights according to the legal structure of each company. Its prime responsibilities include:

1. Being represented at the general shareholders meetings and voting the state shares.
2. Establishing well-structured and transparent board nomination processes in fully or majority owned SOEs, and actively participating in the nomination of all SOEs' boards.

3. Setting up reporting systems that allowing regular monitoring and assessment of SOE performance.
4. When permitted by the legal system and the state's level of ownership, maintaining continuous dialogue with external auditors and specific state control organs.
5. Ensuring that remuneration schemes for SOE board members foster the long term interest of the company and can attract and motivate qualified professionals (OECD, 23005, P. 13).

4.4.4.1.3 Equitable Treatment of Shareholders

The state and state-owned enterprises should recognise the rights of all shareholders and in accordance with the OECD Principles of Corporate Governance ensure their equitable treatment and equal access to corporate information. This includes:

- The co-ordinating or ownership entity and SOEs should ensure that all shareholders are treated equitably.
- SOEs should observe a high degree of transparency towards all shareholders.
- SOEs should develop an active policy of communication and consultation with all shareholders.
- The participation of minority shareholders in shareholder meetings should be facilitated in order to allow them to take part in fundamental corporate decisions such as board election (OECD, 2005, P. 14).

4.4.3.1.4 Relations with Stakeholders

The state ownership policy should fully recognise the state-owned enterprises' responsibilities towards stakeholders and request that they report on their relations with stakeholders. To this end:

- Governments, the co-ordinating or ownership entity and SOEs themselves should recognise and respect stakeholders' rights established by law or through mutual agreements, and refer to the OECD Principles of Corporate Governance in this regard.
- Listed or large SOEs, as well as SOEs pursuing important public policy objectives, should report on stakeholder relations.
- The board of SOEs should be required to develop, implement and communicate compliance programmes for internal codes of ethics. These codes of ethics should be based on country norms, in conformity with international commitments and apply to the company and its subsidiaries (OECD, 2005:15).

4.4.3.1.5 Transparency and Disclosure

State-owned enterprises should observe high standards of transparency in accordance with the OECD's Principles of Corporate Governance (Renton, 1999). This should include:

- The co-ordinating or ownership entity should develop consistent and aggregate reporting on state-owned enterprises and publish annually an aggregate report on SOEs.
- SOEs should develop efficient internal audit procedures and establish an internal audit function that is monitored by and reports directly to the board and to the audit committee or the equivalent company organ.
- SOEs, especially large ones, should be subject to an annual independent external audit based on international standards. The existence of specific state control procedures does not substitute for an independent external audit.

- SOEs should be subject to the same high quality accounting and auditing standards as listed companies. Large or listed SOEs should disclose financial and non-financial information according to high quality internationally recognised standards.
- SOEs should disclose material information on all matters described in the OECD Principles of Corporate Governance and in addition focus on areas of significant concern for the state as an owner and the general public. Examples of such information include:
 1. A clear statement to the public of the company objectives and their fulfilment.
 2. The ownership and voting structure of the company.
 3. Any material risk factors and measures taken to manage such risks.
 4. Any financial assistance, including guarantees, received from the state and
 5. Commitments made on behalf of the SOE.
 6. Any material transactions with related entities (OECD, 2005, P. 16).

In Abu Dhabi, the ADAA monitors compliance with laws, regulations and corporate of governance practices of all GOCs wholly owned by the government.

4.4.5 Governance of the Public Sector

In addition to the work of the ADAA which is mandated to monitor governance standards across the public sector in Abu Dhabi including local departments, councils and authorities, and as discussed previously, the Governance Committee of the Emirate of Abu Dhabi was established through Resolution No. 17 of 2010 to supervise the implementation and development of concepts and frameworks of governance in government. The main objective of the Governance Committee is to create consistent and coherent public service practices and capabilities across the Abu Dhabi

Government; this is separate to the corporate governance framework that applies to joint-stock companies and GOCs, whether fully or partially owned by the Abu Dhabi government. The intention of the public sector corporate governance framework is to articulate public service core values, provide guiding principles, policies frameworks and standards, and guide organizational and individual development throughout the Abu Dhabi public sector (Norton Rose, 2011).

The Governance Committee has been tasked with:

- Drafting the governance rules of government entities and public institutions
- Preparing financial policy guidelines, including those for public budgets and procurements, and including the categorization and classification of accounts, and specifying the deliverables of each government entity.
- Transferring accounting systems from a cash basis to an accounting accrual basis.
- Developing job description and classification systems.
- Specifying the types and contents of reports on finance, performance, human resources, purchases and other reports, as well as respective auditing mechanisms.
- Developing and applying a common electronic infrastructure program.

The outcome of the Committee's work is yet to be published (P. 16).

4.4.6 Private-Public Partnerships

Increasing emphasis is being placed on the importance of strategic partnerships, or PPPs, being formed between the Abu Dhabi government and private sector to promote the efficient and timely

delivery of services and infrastructure. PPPs are seen as providing the private sector with an opportunity to be actively involved in the future economic development of the Emirate, as well as allowing the government to access the extensive expertise and experience that exists within the private sector.

To date no specific corporate governance framework exists for PPPs, although where the Government's interest is equal to or greater than 50%, ADAA is responsible for monitoring corporate governance practices. It could be argued that the established principles of good corporate governance that already apply to all joint-stock companies, including GOCs – whether partially or fully government owned- should be adhered to in the tendering processes, administration, operation and management of PPPs. Government departments directly involved in PPPs should also adhere to good governance practices, including the recommendations, once delivered, of the aforementioned Governance Committee of the Emirate of Abu Dhabi. This will work towards ensuring fair and transparent practices in the establishment, operation and management of PPPs in the Emirate, as well as safeguarding potential abuses of government funding by private sector organizations.

4.4.7 Financial Institutions Regulated by the Central Bank

The SCA corporate governance code under R/518 discussed earlier in this section does not apply to financial institutions regulated by the UAE Central Bank. However, the Central Bank has issued Circular 23/00 that provides binding recommendations for corporate governance structures for UAE banks. Further, the Central Bank's Corporate Governance Guidelines provide additional non-binding guidance for bank directors. The main provisions of the Central Bank Rules include:

- A requirement for an independent Chairman who does not undertake executive functions.

- A prohibition on the functions of the board of directors overlapping with the functions of the general management. The board may choose to appoint an executive committee with specified powers, but it is preferred that the Chairman is not involved in heading any such committee.
- A requirement for an independent CEO appointed by the board and reporting to the board and the Chairman.
- A requirement to create a Corporate Standards Manual - setting out authorities, responsibilities and behavioural standards.
- A requirement that senior personnel be subject to the approval of the Central Bank and have at least five years relevant experience.
- A recommendation that the Internal Audit Department monitor overlapping work functions, conflicts of interest, significant losses, and wrongdoing (including cases of embezzlement), and that this department report to the Chairman, copying in the board, CEO and the Central Bank.
- A recommendation that a Credit Committee be formed of not less than five members, with authority for loans in excess of the value of 1.5% of the capital and reserves of the bank, settlements, and the provisioning of bad debts (Norton Rose, 2011).

In addition to the above, the Central Bank provides directors with information packs outlining the basic principles of corporate governance including the expected role of the board, guidance on board selection, the qualifications of independent directors, performance monitoring, and corporate governance structures (Norton Rose, 2011).

In April 2012, the Central Bank announced plans to overhaul the 1980 banking law, although at the time of writing details of the planned changes were limited, as were the implications of the changes on corporate governance practices in the banking sector. Ismail Al Bloushi, Chief Manager at the Central Bank's General Secretariat and Legal Affairs Division, indicated that the changes were made in response to lessons learnt during the global financial crisis, as well as a broader tightening of bank lending practices to avoid the risk of future banking crises. As part of the changes, the Federal government has split regulatory authority between two bodies; the Central Bank will retain responsibility of prudential regulation, while 'conduct-of-business' regulations dealing with such things as consumer protection and the daily business of running the financial system, including oversight of capital markets, is to be the responsibility of an expanded SCA, which will be renamed the Financial Services Authority. This new model reflects the Australian approach to banking regulation, as Australia's banking sector weathered the global financial crisis better than banks in other countries (Arnold, 2012).

4. 5: MAIN CHALLENGES FOR DEVELOPING A CULTURE OF CORPORATE GOVERNANCE IN ABU DHABI

Some of the main challenges facing the leadership within Abu Dhabi in developing a culture of best practice in corporate governance are summarized below:

The government of Abu Dhabi supports the initiative of ADCCG to develop a stronger culture of corporate governance throughout the private and public sectors of the economy. These efforts should include raising the existing level of awareness of the importance of adhering to good corporate governance practices by effectively communicating the benefits of adopting good corporate governance practices. These benefits include achieving greater operational efficiency, increased international competitiveness, improved access to global capital markets, and promoting Abu Dhabi's future economic growth as part of the global economy.

To work with family owned businesses in the Emirate to improve transparency, accountability and openness in their operations, and to otherwise promote the adoption of a culture of good corporate governance.

To ensure that regulations and legislation pertaining to corporate governance practices across all sectors of the economy are enforced. This includes ensuring that effective monitoring systems are in place to monitor compliance with existing corporate governance frameworks. This in turn should include the implementation of timely warning systems to ensure non-compliance is promptly detected and appropriate measures are taken.

4.6 SUMMARY

Since the first oil discovery in the 1950's, withdrawal of the United Kingdom from the region, and the subsequent formation of the Federation of the United Arab Emirates (UAE) in 1971 Abu Dhabi has experienced a sustained process of socio-economic development which transferred the nomadic way life to the most sophisticated life style of today.

The UAE is located in the Middle East region on the Arabian Gulf, and borders Oman, Saudi Arabia and Qatar. It is about 80,000 square kilometers in size, with an estimated population of 8.2 million in 2009 with approximately 84% of the total population living in urban areas. Abu Dhabi is the capital of the UAE, divided into three administrative regions: the City of Abu Dhabi, the Eastern Region and the Western Region. Its geographical location in the Gulf region provides it with the opportunity to act as a bridge between the economies of Asia, the European-Mediterranean region, and Africa.

In 1971, Abu Dhabi established a national oil company, Abu Dhabi National Oil Company (ADNOC), to take over the Emirate's interests in all oil and gas fields within Abu Dhabi accounting for the majority of these reserves. Today, Abu Dhabi is increasingly striving to change the originally oil based economic growth to a sustainable knowledge-based economy by investing in a range of non-oil producing sectors including aviation, tourism, media and financial services. Not surprisingly, the Emirate's leadership has sought to guide change carefully by balancing dual roles as modernizers and guardians of the cultural heritage of their people. This necessitated development of a culture of good corporate governance necessary to ensure the Emirate continues to integrate into the global economy.

The launch of the Abu Dhabi Vision 2030 in 2009, developed by the government, provided a 22 year strategy to achieve long-term sustainable economic growth. It set nine pillars that form the architecture of the Emirate's social, political and economic future, including a large empowered private sector, and sustainable knowledge-based economy. Other pillars include a transparent regulatory environment, and maintaining the Emirate's values, culture and heritage. Thus the government attempted to increase the Emirate's international competitiveness and enhance the local business environment through a range of measures including, economic policy, establishment of a dedicated Investment Promotion Agency, and the opening of a world class Export Promotion Agency. Also in parallel, there have been placed initiatives to restructure the government in order to create greater efficiencies and improve the overall operation of the economy; including outsourcing government services, formation of private-public partnerships (PPPs) for the delivery of a range of service and infrastructure projects. The government has recognized that private sector companies have to attract both international and local investors in order to raise the capital necessary to achieve sustainable growth. The government has recognized the need and the necessity for adopting best practices in corporate governance, because a lack of corporate governance frameworks limits the ability of many family owned businesses to attract foreign investors or access capital markets. As a result the business culture is continuing to change as power is split in the family, younger members are setting up their own companies and running them in a less autocratic and closed manner.

Further to R/518, in 2010, the Board of Directors of the SCA issued a “Circular Concerning Matters Relating to Corporate Governance” (Circular) which introduced mandatory requirements for companies listed on the UAE financial markets. The leadership of Abu Dhabi continue to face challenges in private and family own as well as public and parastatal companies. These challenges highlight the importance of the effective function of the boards in order to realise the ambitious dreams as well as ensuring sustainable socio-economic growth.

Integral to this development process is the cultivation of an economic and business environment that will support the integration of Abu Dhabi into the global economy. However, establishing a culture of good corporate governance has been regarded as essential for underpinning the process of economic development to attract Foreign Direct Investment (FDI) as well as local investment and growing export markets.

CHAPTER FIVE: FINDINGS FROM ANALYSIS

5.1 Introduction

As explained earlier, the performance of directors significantly impacts the effectiveness of the Board; therefore it was felt that there is a need for an in-depth investigation into what constitutes directors' effectiveness and what factors influence the effectiveness of the Board members in the public sector in Abu Dhabi. This meant exploring the perception of the directors regarding the various capabilities required of Board directors to increase their effectiveness, as well as finding out how the directors develop the necessary capabilities for a sustainable performance.

In order to achieve the above aim four PSBs were selected and a number of in depth interviews were carried out. The rich qualitative data generated was subjected to a number of procedures which led to the emergence of 7 themes, 16 sub-themes and finally, 22 issues related to the sub-themes.

This chapter is structured based on the emergent themes. First, the process which led to the identification of the above will be explained in some detail. Then each of the emergent themes will be discussed and examples of the data collected will be given. These discussions have benefited from the literature reviewed earlier. These are: "Personal Characteristics of the Board Members" (Ramsay, 1998), "Membership of the Board" (Kakabadse et al., 2004), "Board and members' functions" (Hung, 1998), "Board culture and dynamics" (Jensen, 1993; Sherwin, 2003), "Board effectiveness and contribution of members to Board effectiveness" (McIntyre et al., 2007), "Core capabilities" (Conger et al., 1998; Roberts et al., 2005), and "External influences on the Board" (Kamoche, 2001; Keasey et al., 2005). Interestingly, one of the main themes which emerged from the data was identified as a core capability required for

directors' effectiveness. The emergence of this theme also validates the sound identification of the main aim of the study which formed the basis for the research question. The other themes relate to the factors which influence the effectiveness of the Directors on the Board in context of PSBs in Abu Dhabi. The emergent themes identified, the main categories of themes, and most importantly the sub-categories and emergent 'issues' will be discussed in the remaining part of the chapter. Finally, an overall picture the data and the findings will be presented as a table for further discussion in the subsequent chapter of this thesis.

5.2 Presentation of the Findings

Using ground theory approach (Adams and Schavaneveldt, 1985), the data was coded using the four organizations involved. This resulted in 16 interviews which were analyzed accordingly. However, this classification of the data yielded little, except that it provided four major domains of the data related to the Chairs A1, B1, C1, D1(4 interviews), CEOs, A2, B2, C2, D2, (4 interviews), BMs A3,A4,A5; B3,B4; C3,C4, and D3 (ED and None-ED) (8 interviews). (See table 5.1).

Table 5.1: The coding of the organizations and participants involved in the interviews

<u>Org No.</u>	<u>Org. Code</u>	<u>No. of interview Code</u>	<u>*Codes for Roles CH, CEO, BM1, BM2</u>
1	PCA (A)	A1	CH
		A2	CEO
		A3	ED
		A4	BM1
		A5	BM2
2	KFB (B)	B1	CH
		B2	CEO / ED
		B3	BM1

		B4	BM2
3	NBC (C)	C1	CH
		C2	CEO / ED
		C3	BM1
		C4	BM2
4	DCD (D)	D1	CH
		D2	CEO / ED
		D3	BM1
		D4	-
Total		16	16

Source: Data Analysis

*Codes: CH: Chair CEO: Chief Executive Officer ED: Executive Officer
 BM1: Board Member One BM2: Board Member Two

5.2.1 Open and Axial coding

The data generated in the form of extracts from the interviews were subjected to two processes; First Open Coding and then to Axial Coding.

Open coding, as used here, refers to the process of analysis of qualitative analysis to bring together the data and ideas. During this process the researcher identified tentative names of emergent conceptual categories (Stemler, 2001; Hussey and Hussey, 1997). The aim was to create multi-dimensional categories to form a preliminary framework for analysis of the data. However, instead of searching for 'words', the phrases and parts of the conversations with common themes were targeted. This resulted in seven open coding which was shared throughout the interview accounts by all interviewees. Thus open coding was used to reduce the data as well as identifying the conceptual main categories or themes. By sifting through each of the main categories, sub-themes or categories of the data were identified, for example, 'Membership (composition) of the Board' formed one of the main categories. The subsequent analysis yielded further sub-themes namely; Membership of present Boards and

membership of the other Boards. This process was applied to all 7 emergent categories. The open coding resulted in identification of a further 33 sub-themes which each formed a conceptual sub-category.

Axial coding formed the next stage of the analysis of the interview's transcripts. It involved the re-examination of the main and sub categories identified to determine how they are linked. These groupings of the data were referred to as 'issues' which formed the smaller branches of the tree of data. They contained a coherent collection of statements which helped better understanding of the nature and influence of the sub and main categories (themes) on effectiveness of the Boards, as perceived by different participants. It is worth noting that of the seven identified emergent themes, one specifically related to the 'Core Capabilities' required by members for further effectiveness. This theme was shared amongst all participants. The other 6 emergent main themes formed the cluster of influences for Board effectiveness.

As explained earlier, further analysis resulted in identification of 28 sub themes which were referred to as "issues" (See Table 5.2). These form the small branches of the seven main branches of the themes identified via data analysis. Each of these issues will be discussed in some detail in order to get a better picture of the perceived factors which influence the effectiveness of the Board. Therefore it could be claimed that the qualitative data generated has been subjected to a thematic analysis which resulted in a complete 'tree of information', where the position of each of the main themes, sub themes and issues represent the main branches, second branches and the final smaller branches. The outlook of the data is therefore determined by the relationship between the branches and most importantly it is formed by the presence of the issues or the final braches identified from the data. Understanding the effectiveness of the Boards as perceived by the participants has shaped the data tree and the

final shape of the themes, sub-themes and issues involved. The researcher believes that the traditional approach which only endeavors to identify the main themes or includes sub-themes may not present the fullness of the thematic analysis as it has been carried out here in this study (See Table 5.2).

5.2.2 Profile of the participants

Fifteen Board Directors from four separate public sector Boards were involved in this study. The four organizations involved have been referred to as 'Port' (Code A), 'Fund' (Code B), 'Bank' (Code C), and 'Drilling Co' (Code D) in order to disguise their true identify. This selection of the organizations and their Boards has adequately represented the public sector in Abu Dhabi.

The participants in organization 'A' were five in total. Although originally it was envisaged that only four Directors from each targeted organization should be involved in the study, because an adequate number of participants from organization 'D' could not be identified and interviewed, the availability of an additional participant (Executive Director) from organization 'A' provided a viable alternative and hence the fifth participant from Port organization 'A'. The participants in organization 'A' have been referred to in the thesis as A1, A2, A3, A4, and A5 accordingly.

Eight directors from organizations 'B' and 'C' were interviewed from 'Fund' and 'Bank' organizations respectively. The participants in organization 'B' comprised of B1, B2, B3, B4, and the participants in organization 'C' are coded as C1, C2, C3, C4. However, as explained above only three interviews could be carried out in the fourth identified

organization (Drilling Co. 'D'). Therefore the participants in organization 'D' have been referred to as D1, D2, D3.

It is important to note that the composition of each cluster of participants from organizations A, B, C, and D were the same (with the exception of A and D). Attempts were made to include in the targeted members from each organization at least one Chair Person, One Chief Executive Officer (CEO), and two Directors one of whom occupied the non-executive position. As shown in Table 5.3 the last group of interviews have been referred to as Executive or just Board member. This reflects the labels used by the participants when describing the position of themselves and colleagues on their Board. It was also clear that participants felt that the position and role of the Chair is of particular importance and this has been reflected throughout the interviews.

The other attributes of the participants such as gender, age and their level of education and experience will be discussed when the identified themes and issues are discussed in some detail in section 5.4.

5.3 ORGANISATION PROFILE

As explained in section 5.1 four the interviews were carried out in four major Public Sector Organizations. These organizations are publicly owned and their Boards are subject to strict regulation in Abu Dhabi. They comprise of a Port Company Coded (A), a Fund (B), a Bank (C), and a Drilling Company (D).

Table 5.3: Profile of the participants/cases

Case	Nature of Organization	Core	Role on the Board	Number of Interviews
CASE 1	Port	A1	Chairperson	1
	Port	A2	CEO	2
	Port	A3	Managing Director	3
	Port	A4	Executive Director	4
	Port	A5	Executive Director	5
CASE 2	Fund	B1	Chairperson	6
	Fund	B2	CEO	7
	Fund	B3	Board Member	8
	Fund	B4	Board Member	9
CASE 3	Bank	C1	Chairperson	10
	Bank	C2	CEO	11
	Bank	C3	Board Member	12
	Bank	C4	Board Member	13
CASE 4	Drilling Co	D1	Chairperson	14
	Drilling Co.	D2	CEO	15
	Drilling Co.	D3	Board Member	16

Source: Data Analysis

The methodology adopted has clearly set out the need for understanding the behavior of the participants, Board members, in context of their organization and in wider context of Abu

Dhabi. A brief background of the four participating organizations is provided in Table 5. 4: Appendix 1.).

To sum up, the information in Sections 5.2 and 5.3 provides the reader with the profile of the 16 directors who participated in this study and well as the organization profile for each organization (A-D).

As explained five participants (A1-A5) were from Port Company, Four participants (B1-B4) were interviewed in Fund B organization, four participants are Board members at Bank C organization (C1-C4) and three participants were interviewed from Drilling Company D (D1-D3).

Attempts were made to interview one Chair, one CEO and two Board members from each organization. In order to compensate for the unavailability of the Board member D4 an additional interview was arranged with a director from company A (A5).

On the whole, all participants were fully engaged in the process of the interview however, some members provide more information hence the emergence of more issues.

What follows will comprise of seven sections in which the issues that emerged from detailed thematic analysis are analyzed and discussed in detail.

5.4: THEME ONE: PERSONAL CHARACTERISTICS

5.4.1 Emergent Issues

As explained earlier, the classification and tabulation of data revealed that during the interview participants provided information which led to the identification of their personal

characteristics (See Table 5.5). This information emerged as themes with six related issues that were perceived as important by the participants. It is argued that the personal characteristics of the senior management could be an influencing factor on their effectiveness and performance at work (Forbe and Miliken, 1999).

Table 5.5: Emerged Categories and Sub –categories of the “Personal Characteristics”

No.	MAIN CATEGORIES	SUB-CATEGORIES
1	PERSONAL CHARACTERISTICS	<ul style="list-style-type: none"> • Age • Gender • Education • Total Years of industry experience • Total Years of experience at Board level • Experience on the present Board

Source: Data Analysis

5.4.1.1 ISSUE No. 1: Age

The participants' age ranged from 39 to 65 years old (See Table 5.6). Most participants saw the opportunity for a important opportunity for their career development. Some referred to this opportunity for gaining recognition from their 'work related circles', acting as a Board member a director commented,

“It is a kind of recognition, Yeah it is important to take up a position especially if you work your way up to more exciting positions (meaning Chair). One has to be known in the work related circles to be worthy of making representation on the Board. Age does not come to this of course with age comes experience and knowledge” (Interview No. 2).

Observation has however shown that culturally there seems to be a relationship between the age and the suitability to take a position on the Board. Those participants who were older implied that whilst formal qualification is seemingly an important factor the experience plays a critical role in determining the level of the performance. As one commented:

“Yes, we need younger and more qualified people on the Board but it often comes down to the experience and ability to get a feel for the issues raised and discussed. I may be older but I bring to the Board continuity of experience” (Interview No. 11).

When relatively older participants were asked about the cultural influences and whether or not it is the case that traditional values stipulate that elders benefit from more experience and therefore are more suitable for a placement on the Board. The response was:

“Of course that is a part of the traditional values that have been around for years and can not be denied. And, yes to some extent the elders’ views are respected, but the situation on the Board is changing and age is no longer plays an absolute factor, but can not be denied it is there.” (Interview No. 6)

Another participant commented that:

“Younger professionals are really keen on taking up positions on the Boards of the companies, especially the private ones, they seem to be more keen on developing their portfolio plus the fact that there is reward attached to these positions too” (Interview No. 16).

It can be posed that the age of the participants did to some extent play an important part in their selection and their perceived contribution to the Board. As one director interestingly put it:

“Let me put it this way. Being an older member on the Board is not automatically seen as a negative aspect, far from it. The elders set the scene and contribute profoundly to the issues discussed. As you are fully aware, you may act as a member but you cannot be trusted with the position and responsibility of the Chair without relevant accumulated experience” (Interview No. 14).

The data also supports the comments made that there is a relationship between the age of the participants, their past experience including ‘how they have handled themselves’, and their appointment as Chair and CEO. With the exception of one participant who held the position of Chair aged below 40, other participants in positions of Chair were aged 50 and above. Literature also supports the belief that board members should be recruited on the basis of their expertise and experience (Cornforth, 2004). In the light of above evidence, it is evident that cultural factors also have indirect influences on the selection of the older directors for ‘sensitive positions’ such as ‘Chairmanship’ (Hambrik et al., 2001; Li and Hambrik, 2005; Analoui et al., 2011).

ISSUE 1: Findings

- *Participants who served on the selected Boards were aged between 39-65*
- *Appointment to membership of the Board is mostly determined by experience*
- *Being a Board member is seen as a form of recognition for excellence in one's career*
- *Traditionally age may mean experience hence membership of the Board*

5.4.1.2 ISSUE No 2: Gender

All participants involved in the study were male. This is not to suggest that only male participants are appointed for positions on the Board in PS. Indeed, there instances of female directors especially in the private sector who are selected to operate on the Board.

Participants gave the impression that the issue of gender is, as one put it, “of no consequence”, and managed to steer the conversation skillfully away from the gender and the Board membership. As one commented:

“There are not many females in higher levels of seniority anyway. However, it does not mean that they can not attain such positions but as it is, the likelihood that the director appointed will be male is high. The issue is the performance, availability, trust and a whole set of attributes and qualifications expected from the Board members. Gender by itself should not be seen as an important factor.” (Interview No. 14).

Another participant highlighted the fact that there is an awareness of this issue and the need for diversity on the Board but there seems to be a situation of ‘chicken and egg’ as far as the presence of the female directors on the Board is concerned:

“We are all aware of the importance of this issue. May be it is the ‘Glass Ceiling’ that has contributed to presence of fewer female directors on the Board. We look for experienced and high caliber individuals and we often do not find them (Female Senior Manager) available for the post. It could be that female senior managers in PS are not interested in such positions, who knows, ... but the situation is certainly changing, already there are a number of female director who have worked on the Boards of Private and Public Sector Boards... We need to create this awareness, I

myself have observed elsewhere how important is the diversity where the issue of the gender is concerned. The transformational nature of their (Female Directors) can be of huge value to the atmosphere of the Board and the decisions made” (Interview No. 1)

The presence of more male directors on the PSBs is certainly not accidental. Issues such as culture and history and the nature of the business can have significant effect on the composition of the Board as far as gender is concerned (Analoui et al., 2011; Kakabadse, et al., 2004; De la Rosa, 2006).

ISSUE 2: Findings

- *All participants involved in the study were male*
- *There seemed to be little motivation and/or opportunity for female senior managers to act as Board members in PSBs*
- *Traditional value may have an implicit influence on the choice of the member's gender. However, officially the members characteristics such as experience and education act as merit for appointment*
- *It is reported that female directors do serve on the Boards elsewhere in the industry*

5.4.1.3 ISSUE No 3: Education

The issue of education seemed to be treated with importance by participants. The comments made showed clearly that attainment of higher education qualification at least amongst the younger generation seem to be of importance. All participants possessed the first degree. Seven participants held first degree (BSc), and the remaining participants benefited from Masters (6) and Doctoral degrees (3).

The cross tabulation of the data shows that older participants seem to possess a first degree whereas those with Doctoral qualifications were younger in comparison. As one commented:

“It is becoming increasingly important to possess higher educational qualification, especially these times ... having a doctorate can open the doors, I am not suggesting that it is the only qualification, but it is important (moving the head twice). For those who are established it is becoming increasingly difficult to contemplate studying for their doctorate, they are busy and cannot leave the responsibilities.... As for the position on the Board, qualification is not playing an important role at least not on the Board I am” (Interview No. 1).

There seemed to be an agreement amongst the participants that holding a position on the Board of PS is not directly related to holding higher qualifications. However the trend is towards possession of high degrees: A Chairperson commented:

“When I got my qualification first degree was important. Not many people had the qualification from abroad..... Acting as a Chair has little to do with your role on the Board, but generally speaking these days its expected from top officials to hold higher degrees.... this is the trend everywhere..” (Interview No. 14)

The data clearly shows a direct relationship between age and educational attainment. The younger participants seem to hold higher education qualifications. However, as Kakabadse and Kakabadse, (1999) aptly note, there is little influence of the educational attainments on performance on the Board.

The participants with higher degree such as Masters and above felt more at ease talking about their educational backgrounds. As one suggested:

“We are all educated abroad and have connections there, most of us have been educated in the US but some have degrees from Europe. It does help to know the issues and be familiar with the international trends. Whether it is just enough to hold a higher degree as a pretext to Board effectiveness, I am not sure, it is a lot more complicated than that” (Interview No. 9).

The researcher observed that older participants who held only a first degree tended to avoid the issue and place more emphasis on the experience than educational achievement.

“At the end of the day, I (Chair) am expected to make a decision which has financial implication to say the least, the buck stops with me and I can only rely on my experience to guide me... and the experience of the other members. Holding a doctorate may be useful but the Board business is a different ball game (followed by a smile)” (Interview No. 6).

On the whole, there seem to be fewer participants with higher degrees. However the trend seems to be upwards for securing higher educational degrees.

ISSUE 3: Findings

- *Most Board members possessed first degree(BSc)*
- *Few participants possessed Master degrees (MSc)*
- *Only three participants had doctorate(PhD)*
- *Older participants generally felt that experience is more important than solely educational achievement.*
- *Older participants felt that first degree is adequate for fulfilling their roles as Board members*
- *There is a trend towards attainment of higher educational qualification amongst younger members of the Boards*

5.4.1.4 ISSUE No. 4: Total years of industry experience

The response of the participants to enquiry about their years of experience in the industry was a mixed one. Some clearly showed willingness to consider this as a factor which may have influence on their own and the Board effectiveness. However, the majority did not see any relevance and did not wish to talk about the subject at length.

As one Board member said:

“I have over eight years of experience in the industry... private sector works differently... but make no mistake... our Boards (PSBs) are becoming as accountable as their counterparts... I feel the experience helps to see things differently. I have noticed that other members and sometimes Chair appreciate it and it is good to bring in different perspective.... but not essential” (Interview No. 10).

Another Board member with industrial experience approved of “having experience from the other side”. He said;

“Some members have never had experience of the other side. That is all they know. OK, we are different with different responsibilities but I personally think having over fifteen years of experience in industry does not hurt. Quite contrary it can become very useful. As you are aware yourself, nowadays, the distinction is being lifted... We are all operating under financial pressure. Still having more experience would not hurt.” (Interview No. 13).

The researcher felt that most participants made an assumption that the researcher is already aware of their involvement or not as the case may be and therefore avoided discussing the previous experience in the industry. Some felt that working in the Bank, drilling company and being on their Boards is very similar experience to that of working on the industrial Boards. One participant tried to clarify the issue. He queried:

“You mean experience on the Boards of industry or working in the sector. It is essential to have experience of how private sector works. We are going in that direction and it is no secret” (Interview No. 15).

On the whole, there seems to be an implicit agreement that industrial experience, including membership of the industrial Boards, can be worthwhile. Yet the majority refused to make a connection between their effectiveness on the Board and their past industrial experience.

ISSUE 4: Findings

- *A small number of participants had industrial experience*
- *Those with experience in industrial setting felt that their past experience has impact on their effectiveness on the Board*

5.4.1.5 ISSUE No. 5: Total Years of Experience at Board Level

Only two participants specifically revealed their total years of experience at the Board level, participants B4 and C4. The former declared that he has up to five years and B4 up to 15 years of experience on the Boards. Why the other participants did not draw attention to this issue is partly due to their lack of ample years of experience on the Boards and partly due to their preference. Subsequent question (See next issue) revealed that most participants did indeed not have extensive experience of being on the Boards as researcher enquired. Whilst being a member of the Board is seen as important is not something that participants found important enough to talk about extensively. As one commented:

“It is good to serve on the Board but often colleagues do not want to be associated with the Board of the organization which has not done very well. Besides it is not something that we (members) have full control on. Often it is an appointment of some sort and it should be taken as something which is professionally rewarding and financially (smiling) ... but the previous experience may or may not help” (Interview No. 2).

A Board member with a few years of experience on the Board said:

“I have enjoyed being a member. I have contributed and I believe my past experience has been useful in understanding the issues involved, processes of decision making

and helping me to make sound decisions.....It is not easy to juggle one's time but I believe it is rewarding" (Interview No. 9).

Some participants felt that it is their duty and that their participation on the PSBs was associated with a perceived sense of good citizenship. However they did not specifically comment on whether they have had previous experience on the Board. For example:

"You could say it is a duty of very senior officials to serve on the PSBs. We are responsible for what is happening to our brothers and sisters, we are Citizens of AD..." (Interview No. 16).

The conclusion reached is that, apart from a few participants, most did not have long and protracted experience on the PSBs.

ISSUE 5: Findings

- *Most participants did not have long term experience of membership of the PSB Boards*
- *Few participants with long term experience of being a Board member found the experience rewarding*
- *Those with long term experience acknowledged the need for re adjustment and time management to fit their Board duties in.*

5.4.1.6 ISSUE No. 6: Experience on the present Board

Unlike the previous questions, most participants except two were candid in providing detailed information.

Most participants (7) said that they had up to five year experience. Another five participants reported that they have served on the present Boards for between 6 and 10 years.

A CEO proudly said;

“Yes. I have served on the Board for over 12 years now. It is not easy though. It has its ups and down. You could say I am a Bank of experience (laughing)” (Interview No. 1).

Two participants reported that they had between 11-15 years of experience.

It was discovered that two participants who were not forthcoming about declaring exactly how long they have served on the present Board, felt that their recent appointment to the Board may detract from the importance of their role as Board members. For example:

“I suppose in comparison with others I am a novice. Having said that I know one or two that they practically resided there (on the Board) but did little to justify their presence. It all depends on your role and willingness to contribute”, (Interview No. 8).

Unmistakably long years of service on the Board were seen as something to be proud of specially if one has attained Chairmanship or acting as CEO.

ISSUE 6: Findings

- *Most participants reported that they have served for up to five years on the present Board*
- *Few participants had between 6-11 years experience of being a Board member on the present Board*
- *Minority of the Board members had relatively less experience of membership on the Board (up to a year)*

- *Experience of being a member on the Board is valued as an achievement*
- *Those participants with long years of experience felt they are effective at managing their affairs*
- *Participants who hold the Chair or CEO positions associate their roles with added status.*

In conclusion personal characteristics play an important part towards better performance of the individual members on the Board (Forbe and Miliken, 1999; Hambrik et al., 2001). Issues such as age, experience, and educational achievements do play a part towards appointment on the Board and securing a better position such as Chair and CEO on the Board (Li and Hambrik, 2005; Analoui et al., 2011). There also seems to be a relationship between membership, position and length of service on the Board and the experienced recognition for the member's performance as officials. (Park and Ungson, 1997; Quick, 1997). It is important to bear in mind that contextual factors such as the nature of the work and the wider traditions and cultural value do play a part in the ways personal characteristics such as gender and age are seen as relevant to the position of the individual on the Board (Kakabadse and Kakabadse, 1999; Same, 2009). On the whole, it can be claimed that the personal characteristics of the members are important and their understanding is essential for learning about Board effectiveness (John and Senbet, 1988).

5.5: Theme Two: Membership (Composition) of the Board

This emergent main category is an important theme. Membership of the Board has been the focus of many writers attention. It has been debated that the right composition of the Board membership would act as a determining factor for achieving Board' objectives (Kakabadse,

et al., 2004; Bowman and Kakabadse, 1997). A great deal of debate surrounds the question of what qualification should a member possess and the importance of non executive members in shaping the membership of the Board (John and Senbet, 1988). The literature on Corporate Governance pays particular attention to composition of the Board membership (Kakabadse et al., 1993; Hambrik et al., 2001).

The review of the organizational profiles, A-D, reveals that most Boards are comprised of Chair, Deputy (CEO) and number members (5-7). What is implied however is that there seems to be a hierarchy of the importance of roles within the Board. Data, as will be shown below, indicates that the role of Chair seems to have the highest importance followed by CEO or Deputy, Executive and finally non executive members.

As shown in Table 5.7 the thematic analysis of the data resulted in identification of sub-themes: These are;

- Membership of the present Board
- Membership of other Boards

It was discovered that the role and functions of the members, which will be discussed in the next section, is also influenced by the Directors membership of other Boards. Holding membership of several Boards is not confined to the PSBs in Abu Dhabi. Indeed it is a universal phenomenon and it is a practice which can be found in different sectors. As participants pointed out;

“It is not unusual at all. In fact there is little restriction on working on different Boards. The decision is yours to make. Of course, as you are well aware, not all Boards are the same (smiling). Membership of some is certainly more important than others. Besides (taking a serious stand), it helps to bring fresh experience from other organizations and even other sectors.... why not” (Interview No. 14).

Following the first classification, further issues emerged from both sub-categories. The emergent issues are:

- Involvement of the management team on the Board
- NED Membership of the Board
- Membership of the other PSBs
- Influence on the Board performance

It was noticed that involvement of the management team and NED membership came up in the conversation over and over again. The inclusion of non executive members was certainly seen as an important issue. Moreover, the influence of membership of other public sector Boards was also perceived as “important for the member and the Boards effective functioning”.

In the remainder of this section each of these emergent issues will be discussed in some detail and examples will be provided from the data generated.

5.5.1 Emergent Issues

Table 5.7: Emerged Categories and Sub-category 'Membership of the Board'

No.	MAIN CATERGORIES	SUB-CATEGORIES
2	MEMBERSHIP (Composition) OF THE BOARD	Membership of the present Board <ul style="list-style-type: none">• Involvement of the management team on the Board• NED Membership of the Board Membership of other Boards <ul style="list-style-type: none">• Membership of the other PSBs• Influence on the Board performance

Source: Data Analysis

5.5.1.1 ISSUE ONE: Involvement of the Management

The responses from the participants suggested that there is an overwhelming feeling that management should be involved in the Board meetings.

“It is part of the practice to have the senior management involved in Board meetings; this provides useful feedback on issues related to their area and reflects positively on the relation between Board and management” (Interview No. 12).

And,

“Yes, they are always there, with at least two layers of management who are basically the business owners of certain activities” (Interview No. 16)

And,

“Participate in the discussions that relate to their area. They are also invited to express their views on certain subjects as required during the meeting”. (Interview No. 11).

The Chairman of organization A explained that:

“Management teams are always involved. The Board has the CEO and his senior team present” (Interview No. 1)

There is also a need for involvement of management in the Board to listen and share their views on different subjects: For example.

“Yes, our senior management and all people who report to the Chief Executive are invited to the meeting so they can listen to the Board and gain a feeling of the Board’s views and reactions to their recommendations and/or projects. Also, if there are any concerns, this provides an opportunity for both sides (i.e. management and the Board) to share views and discuss issues.” (Interview No. 5).

“Yes, they are invited to the meetings, sometimes for presenting their related case or justifying their recommendations and sometimes to provide information or to clarify certain issues (Interview No. 9)

There seems to be a feeling that the involvement of the management on the Board is critical for the effective functioning of the Board (Stiles and Taylor, 2001; Pye and Pettigrew, 2005).

“Yes it is critical to have them on the Board, in two ways; first, periodic meetings to update the management on the company from a Board members perspective; and second, as needed when the matter is a shareholder matter rather than a Board matter”.(Interview No. 4)

Sometimes the members of management are invited to act as specialist and to contribute to the debate, and provide the Board with specific knowledge concerning a particular topic.

“All EVP’s and General Council. Others by invitation if specific topics are covered i.e. HR or IT. Sometimes the Board needs specialist views on, for example remuneration and reward policy of the organization. In this case the Board invites the HR Director to join us and provide the Board with relevant information. It is also true about IT or Finance. If the Board is expected to make decision regarding IT, the relevant person will be called to help us understand what our options are. It is very important... Besides we have to acknowledge that we don’t know everything and that we involve others. It is also politically correct to do that.” (Interview No. 2)

“Yes, as subject matter specialists. As Chief Executive, even before I was a Board member, I attended each Board meeting” (Interview No. 10)

Exercising power and authority by the Board, in particular the Chairman to ensure that management understand their position and the nature of their accountability to the Board were also reported.

“Apart from the fact that management should be an integral part of our operations, we (Chairs) sometimes call upon different specialists and key management members to appear in front of the Board to make sure they understand that at the end of the day, we the Board make decisions and we can call on them to justify their decision any time. The Board is the authority and has to be respected for it. It also sends a message to the rank and file. Also, it makes them feel good about their expertise... It is a good practice.” (Interview No. 10).

“Involving management is a MUST, inviting some to the Board is politically important. You can't hide somewhere and do what you like, we (The Board) want to see you and hear from you what is going on. It is the accountability to Board which has to be balanced with the need for information.. You understand what I mean” (Interview No. 6).

The issue of risk management and the need to involve management on the Board was reported frequently (Pye and Pettigrew, 2005; Roberts, 2002).

“We don’t know everything, we know a lot but not everything, but we have to take the risks. Some operations need to involve the shareholders, a strategic financial decision and the risk is high by involving the management in a way the risk is shared and reduced. Mind you the buck always stops here (Board), but the more informed we are the less risk we have to take.” (Interview No. 1)

“Deciding on the Funds is not so simple, it is a lot of responsibility for me (Chair), I need to know the risk I am involved in simple...rely on management to help me out” (Interview No. 6).

The more the consultation the lesser the risk... I learnt this long time ago...Yeah...long time ago” (Interview No. 14).

Also it was discovered that involvement of the management is a far from simple practice. It has many implications for the relationship between the Board and Management. Moreover the Chairperson’s role for the operations of the Board is critical (Turner, 1978; Kakabadse and Kakabadse, 1999).

ISSUE 1: Findings

- *Involvement of the management on Board is critical for the smooth and effective operation of the Board*

- *Management involvement ensures the exchange of views and learning on the part of the Board and management*
- *Management can provide specialist information to the Board which is essential for effective decision making*
- *The role of Chairman is critical in the degree of the involvement of the management on the Board*
- *Involvement of management often is politically motivated to ensure and validate the authority and power of the Board.*
- *Involvement of the management is also a risk reduction practice on the part of the Chairperson*

5.5.1.2 ISSUE TWO: NED Membership of the Board

The emergence of this issue did not come as a surprise to the researcher. NEDs play an ever increasing role in the management of the Board. Helmer (1996); Kakabadse et al., (2001) discuss the importance of the role of the NEDs in relation to the group dynamics and its impact on the effectiveness of the Board.

The data clearly showed that the presence of NEDs was found by the participants to be not only useful but essential for the running of the Board. Participants felt that NED's participation in all meeting of the Board should be encouraged.

“Always, the Board members are all non-executive and have the key decision making responsibilities” (Interview No. 1).

Another participant, a CEO, indicated the importance their presence on the Board:

“We often change the planned meeting dates to resolve other commitments that NED’s have in order to achieve maximum attendance. NEDs provide independent views and challenge management” (Interview No. 2).

The presence of the NED has been associated with the need for ‘Independency’, and ‘transparency’ and a challenge to the rest of the Board. As a Chair Person asserted;

“The NED membership becomes a good practice especially in banks. NEDs ensure independency and provide strong opinions and views. They also help the Board to keep the balance when interests of different stakeholders are discussed. Therefore for clarity and transparency the NED’s membership is encouraged” (Interview No. 10).

Another participant Chair commented;

“This is a good practice. The outside member can look at things in different ways and provide the Board with different experiences and an independent view point, which in turn will help the Board and management.” (Interview No. 6)

Another Participant said:

“Yes, they are good for the system and provide comfort to the stakeholders due to their independency” (Interview No. 15)

A participant Chairman went further to say:

“Yes, non-executives represent the majority of the Board. We find it important to segregate the duties of the executives vs. the prerogatives of a supervisory body such as the Board” (Interview No. 13).

Whilst the majority of the participants acknowledged the importance of the presence, role and importance of the NEDs contribution to PSBs, some participants had reservations concerning the ‘commitment’, and ‘number’ of the NEDs on the Board.

As one participant Chair explained;

“Yes, but they need to be committed and focused on the job. Reason for appointing NEDs: Independence they offer the Board. Don’t get me wrong they can potentially play an indispensable role but as we both know (included the researcher) some are there for the status and the extra earning. I know of few whose main interest is furthering their career. You can tell their heart is not in their work...mind you some can play the devil’s advocate and we need that sort of NEDs.” (Interview No. 6)

And another participant added:

“Yes, up to a point, and provided they do not distract or conflict. There should be a practical limit on the number of Non-Executive.” (Interview No. 13).

Clearly the NEDs were seen as an important player and at the same time challenging and sometimes a threat to the Directors (Hermalin and Weisbach, 2003). The accounts provided clearly showed that Chairpersons are particularly happy to make use of the NEDs as a new source of ideas, especially those with different sector interests. As one participant commented:

“.....especially in the Banks. Clients and shareholders see them as independent pairs of eyes monitoring the processes and ensure that nothing goes wrong. Ok they tread some toes from time to time and may be not familiar with some protocols but hey.... we need them for what they contribute to management and effectiveness of the Board and not for their conformity” (Interview No. 11)

The findings concerning the role and importance of the NEDs on the Boards here are in line with the literature. They provide challenge, independency, comfort, and make a crucial contribution to the Board outcome (Helmer, 1996; Kakabadse et al., 2001; Hermalin and Weisbach, 2003; Long et al., 2005).

ISSUE 2: Findings

- *Presence of NEDs is essential for the effectiveness and management of the Board*
- *NEDs provide the much needed 'independency' on the Board*
- *NEDs contribute to the 'transparency' thus represent stake holders and are particularly welcomed in the Boards of the Banks*
- *NEDs can provide a challenge to management.*
- *Chairperson needs to manage their involvement to get the best out of their contribution*
- *NEDs contribution can be questioned at times*
- *There is a need for bringing up to date the NEDs with the protocol and procedures on the Board*

5.5.1.3 ISSUE THREE: Membership of the other PBSs Boards

Participants were asked if they hold membership of other Boards especially PSBs. The responses provided were interesting and revealing.

The number of extra memberships held by the participants differed drastically. It is clear that there is no restriction for gaining membership of different Boards. The minimum number of reported was none to maximum 14. For example one CEO put it succinctly "No" (Interview No. 11), whereas another CEO said "No, only a private UK based company where I am a NED" (Interview No. 2). On the other hand a Chairperson reported that he has membership of six Boards. This showed a relationship between the number of the Board memberships and the perceived status.

“I happen to be a member of Boards... well it comes with territory.... There is always a reason for everything.... I have no complaints (winking at the researcher to secure his approval.” (Interview No. 10)

Analysis of the data showed that Chairpersons of the organizations involved in the study except one (A1) who had two memberships, seemed to be members of several Boards (B1: Four More; C1: Fourteen More; D1: six more). Further investigation revealed that membership of up to 5-6 Boards seems to be the norm amongst the ‘well known individuals’. As one asserted:

“It is unavoidable... and good to be involved especially when it gives variety of the positions (role) on the Board.... But more than six can be difficult and challenging” (Interview No. 7).

Some participants implied that ‘financial reward’ and ‘influence’ has to do with the increased membership of the PBSs. However, this could not be confirmed by those with several Board memberships.

“One of the perks of being a director or senior in some way to become involved in extra curricular activities...the reward on some Board is more than others.... especially if the Board meets several times a year. But as you know very well.... it is status, recognition, and after all giving back something to the community. Money is not everything is it? Khalas (mean everything is said) (Interview No. 8)

Board membership has been studied and documented in the literature whilst the motive for such engagement seems to be varied (Sherwin, 2003; Kakabadse, et al., 2004; De la Rosa, 2006), gaining and transferring 'experience' has been pointed out as a byproduct of this activity (Van der Walt, 2003).

ISSUE 3: Findings

- *There are no restrictions for being a member of more than one Board*
- *The number of extra memberships of other PBS Boards varied between 1-15*
- *Chairs of the organization seem to be prone to more membership than others*
- *5-6 extra memberships of Boards seem to be an acceptable number amongst the participants*
- *Whilst the motive for such engagements are varied and multi-faceted 'gaining experience', 'financial gain', 'status', and 'extending one's influence' are reported to be the most common reasons*
- *Presence of NEDs is essential for the effectiveness and management of the Board*
- *NEDs provide the much needed 'independency' on the Board*
- *NEDs contribute to the 'transparency' thus represent stakeholders and are particularly welcomed in the Boards of the Banks*
- *NEDs can provide the challenge to management.*
- *Chairperson needs to manage their involvement to get the best out of their contribution*
- *NEDs contribution can be questioned at times*

- *There is a need for bringing up to date the NEDs with the protocol and procedures on the Board*

5.5.1.4 ISSUE FOUR: Influence on Board members Performance

There seems to be an overwhelming sense of support for being associated with different Boards. It is believed that membership of other Boards will lead to more 'Learning and experience.' for example;

"Operating on a number of Boards gives the many benefits of cross learning and developing experience." (Interview No. 6), Also

"Having a manageable number of Board appointments allows diversity and a good continuity of learning." (Interview No. 7)

It also can provide a 'different perspective' for the participants involved.

"Besides conflict and time management challenges, membership of other Boards can add perspectives." (Interview No. 12)

It seems the membership of different Boards can be beneficial to get 'a sense of what is best practice' and 'knowledge of what is happening in the sector' as the whole.

“Not related, but we try to learn from the best practices of others, and use the same as a springboard for our decision-making and work.” (Interview No. 3).

And,

“They help provide insights into related industries. Membership on other Boards also adds value by providing access to greater knowledge.” (Interview No. 13).

To some participants multiple memberships could potentially result in expanding their ‘network’ of relationships which could “.....come useful one day” and even benefit their own organization. As a CEO explained;

“As CEO, I can help in building networks that help to secure business for the organization.” (Interview No. 8)

Certainly ‘exchange of information’ and ‘best practice’ seems to be an influential factor on their performance as Board members. As one explained;

“They affect my performance positively through the exchange of information of best practices, by exposing me to new areas of business, and by providing good networking opportunities to improve the business. However, it is always a challenge to allocate sufficient time. Hence, maintaining a balance between other Boards will create a positive impact on performance.” (Interview No. 13)

A Chairman of the Board also explained that;

“I can see positive effects such as: exchange experience, knowing other business sectors, and developing relationships with more people. Yes, it has positive impact on my performance.... no doubt.” (Interview No. 14)

However there seems to be some reservation in so far as ‘time’ and ‘managing time’ were concerned.

“I believe my membership on other Boards has a positive effect as it helps me knowledge transfer as each entity offers valuable learning experiences. Also, other Board memberships help me bring added value topics that I can share with other members of this Board. However, time, and managing my time, affects my performance on the Board the most. Availability can be an issue, although this can be avoided if we can achieve the right balance.” (Interview No. 5).

This concern was referred to in terms of ‘availability’ and the ‘need for having a balance’ to manage full participation on different Boards.

“If the time is manageable between the Boards, then the effect on my performance will be positive for all Boards.”(Interview No. 15)

It was interesting to learn that participants seemed to think that the problem is not having little time for each Board rather they felt that it is related to how best they can 'manage the time'. A one participant put it.

“We are, in a way, forced to think that we have to manage our time regardless of the workload... in a way culturally some of us take the responsibility first and then try to manage their little time.... myself too...I am also guilty of this. But some of this practice is seemed to be expected from us...” (Interview No. 11)

On the whole, participants felt that their membership of other Boards has a positive impact on their performance and it benefits their organization. Clearly the learning, finding out the best practice in the sector and exchange of views were compelling evidence for further participation on different Board (Sundaramurthy and Lewis, 2003; Taylor, 2004; McIntyre et al, 2008). Managing time and ensuring availability were seen as the main challenge (Schilling, 200). Indeed, none of the participants mentioned the difficulty in professionally dealing with the different expectations to which they were exposed on each Board.

ISSUE 3: Findings

- *Most participants found multiple Board membership as having positive effect on their performance*

- *Learning, developing experience, discovering best practice and expanding one' network and relationships seem to be the motive for accepting the positions on more than one Board.*
- *Managing time and availability were reported as the challenges that they had to deal with*

5.6: Theme Three: Board and Members Roles and Functions

The third category of data which emerged from thematic analysis of the data is concerned with Board and Members Roles and Functions (See Table 5.8). This led to the identification three sub-categories. These include;

- Role and responsibilities of the Board
- Board activities and processes
- Members' role and contribution

These identified themes not only highlighted the fact that Boards take on different roles and have different responsibilities (Johnson et al., 1996) but they also shed light on the important functions of the PSBs such as decision making (Stiles and Taylor, 2001), the conduct of the Chair and more importantly the constraints, demand and choices that Board members experienced (Stewarts, 1980; Kakabadse, et al., 2004).

Table 5.8.: Emerged Categories and Sub-categories of the 'Board members role and functions'

No.	MAIN CATEGORIES	SUB-CATEGORIES
3	BOARD & MEMBERS ROLE AND FUNCTIONS	<p>Roles and responsibilities of the Board</p> <ul style="list-style-type: none"> • Role/Characteristics • Frequency of meetings <p>Board activities and processes</p> <ul style="list-style-type: none"> • Decision making • Strategic nature of operations • Chair's conduct and leadership <p>Members role and contribution</p> <ul style="list-style-type: none"> • Agenda, meetings and prior discussion with Chair • Constraints and demands • Availability of choices

Source: Data Analysis

5.6.1: Emergent Issues

Further thematic analysis of the above sub-categories of the data resulted in identification of eight main *Issues*... These are;

- Role and responsibilities
- Frequency of meetings
- Decision making
- Strategic nature of operations
- Chair's conduct and leadership
- Agenda, meetings and prior discussion with Chair

- Constraints and demands
- Availability of choices

In the remainder of this section each of these emergent issues will be discussed in some detail and examples will be provided from the data generated.

5.6.1.1 ISSUE ONE: Roles/Characteristics

Understanding a phenomenon necessitates taking into account what it means to the participants involved in that situation. How do they define the Board roles and characteristics? It is argued that understanding the nature of the role and role ambiguity (Rizzo, et al., 1970), is critical to understanding the operations of its members.

Participants seem to provide different descriptions of the role and characteristics of their Board. These descriptions often reflected the nature of the Board (PSBs) and its main role in realizing government's strategy, goals, objectives and the like. For example;

“The primary role of the Board is to develop strategy and policy for the organization. The Board needs to make sure that there is alignment of the organization strategy with Government's Vision 2030.” (Interview No. 2)

A Chairman asserted:

“It is certainly getting to grips of the direction of organization ensuring the procedure and systems are there. Let's put this way, the main roles are:

- Set strategy objectives target as agreed with the Government.

- Agree on plan / budget and 5 years business plan.
- Discuss CO's performance and direct work / efforts to meet the agreed plan.
- Set system and control procedures and authorization level" (Interview No. 14).

As a director commented:

"To be an executor of government visions that will help to deliver government promises and insure the protection of stakeholders and the public's interests"
(Interview No. 5)

In the Bank the role was seen to be primarily to make returns on equity and investment.

"To make a good return on equity for the Bank, this will help the Bank to contribute to society. The Bank has already achieved a 20% p.a. return on equity." (Interview No. 11).

There is no doubt that participants are aware of the public nature of the Board and its critical role in achieving government's objectives. The importance of the role of the Chair in achieving these objectives is also highlighted.

"The PSB plays a critical role in achieving the government objectives. Individual Board members each bring experience from the industries they represent. The Chairman plays a directive role and has access to the government leadership. He and the Board members play complimentary roles." (Interview No. 7)

Some participants referred to the sector and its growth as well as realization of governments' interest.

"Very simple, (then began describing)...

- Provide the protection of public interest
- Facilitate the Government's policies in specific strategic sectors.
- Enables the private sector to grow.
- Improve business environment." (Interview No. 9)

In addition to establishing governments vision other roles such ensuring management efficiency and even selection of the right team, systems and processes.

"In my view the main roles are;

- Delivering the government's vision of leadership
- Implementation of the visions – by means of a map and strategy
- Selection of the right team / system/ processes
- Management efficiency
- Board committees." (Interview No. 6)

Governments' goals and policies, aligning with government vision and ensuring the use of best practice were seen as the main characteristics of the Bank

"To me the main roles are;

- To achieve the government goals, enhance and protect the public interest.

- Advise the Government with the trends and development of the business and the ways to improve the firm operations.
- Identify the best practice in the related industry.
- Aligned with the Government vision.” (Interview No. 10)

Achieving the government goal and objectives was often understood by participants however, they saw the role in establishing policies and formulating strategies as well as management responsibilities for the activities of the organization.

“Looking after the government’s interest and envisioning its plans is given and apply to all PSBs. What it really comes down to is for the Board to pay attention to its three primary roles:

1. To establish policies
2. To make significant and strategic decisions
3. To oversee the organization’s activities.” (Interview No. 3)

The above internal roles were often referred to as ‘governance’.

“To provide a structure of governance around the development of strategy, approving plans, monitoring performance and making key decisions.” (Interview No. 1)

As a CEO commented;

“The primary role is;

- To establish proper corporate governance and to demonstrate full adherence to such practices
- To provide sustainability and leadership in business
- To realize a long term vision of the government” (Interview No. 15)

The need to understand the environment, the changes and their implications for the organization and the stakeholders are seen as the primary roles of the Boards.

“Understanding of the responsibilities, the growth and the limits of growth, and the principles that guide the organization. Therefore, the Board should understand the changes and factors that affect the environment in which they operate. It has to operate within the expectations of the stakeholders” (Interview No. 16).

It is clear that participants at all levels were aware of the varying roles of the Board (Johnson et al., 1996), both at macro level which was often implied that is achieving government’s goals and objectives to micro level which is related to formulation of strategy, ensuring good governance and leadership and management of the Board processes and activities (Rizzo, et al., 1970; Pye and Pettigrew, 2005).

ISSUE 1: Findings

- *Board’s main responsibility is to realize government vision, to watch over government investment and stakeholder interest.*
- *Its role is to ensure that proper governance is practiced, good practice is established and Board activities and processes are appropriately managed*

- *Board responsibility is also extended to making the right decision and managing the Board members to ensure complimentary of the contributions of the members*
- *Also, leaderships of the organization to achieve the set objectives*

5.6.1.2 ISSUE TWO: Frequency of meetings

The public sector Boards like their private counterparts have to meet regularly to ensure the smooth operation of the organizational activities (Buchanan and Huczynski, 1997; Adobor, 2004). In most cases the number of the meetings is pre-planned however almost all Boards will meet to discuss urgent issues on an ad hoc basis.

The participants of the four targeted organizations reported that their Boards meet from two to six times a year.

It is difficult to suggest that there is a relationship between the Board effectiveness and the number of times that it meets, however, there seemed to be an agreement amongst the participants that large public sector organizations and those like Banks which have to deal with unforeseen circumstance and frequent changes in the market should meet more frequently.

“It is common sense, even the least active organizations need proper governance and leadership, they cannot be happy with a couple of Board meetings annually. Having said that I know of few firms that do without and they only have two meetings a year [as they rely more on the board sub committees]. You can imagine the time needed and the number of issues to be dealt with...God, it can be crazy” (Interview No. 5)

The work load for the Boards and their frequency were often referred to:

“Ideally the Board should meet around four times a year. This would allow for proper consideration of issues, problems, and decisions. The lengthy Boards are not always effective. Board members should not feel that they are being rushed. They need time to debate and discuss the relevant issues.... We meet 5 times a year and still we need more time to deal with everything which is brought to us” (Interview No. 11).

It was also reported that Boards can be called upon on an as ‘required basis’. Some participants felt that Boards need to respond to emerging situations and show support for the organization.

“Whenever a Board meeting is needed it should be held. This is the only way we can manage our organizations in such a changing time..... if decision is needed meeting becomes a necessity” (Interview No. 15).

ISSUE 2: Findings

- *PSBs meetings vary according to the nature of the organization. They meet between 2-6 times a year*
- *Ad hoc Board meetings to discuss an important emergent issue are not uncommon*

- *There is little relationship between frequency of the Board meetings and their effectiveness*
- *The length of time allowed for preparation and discussion may have effect on the effectiveness of the Board*

5.6.1.3 ISSUE THREE: Decision Making

The first issue related to the sub category theme 'Board activities and processes' is 'Decision Making'. In other words, understanding Board effectiveness and how it works (Stiles and Taylor, 2001) necessitates learning about its processes/operations (Pye and Pettigrew, 2005). Decision making is an important process and activity of any Board. The comments made by interviewees clearly pointed to the awareness of the Board members of the role of the Board in going about making decisions and their contributions to the process of decision making (Cadbury, 2002; Roberts, 2002; Kakabadse, et al., 2004; De la Rosa, 2006).

The process of decision making involves preparation of proposal and recommendations, discussion followed by decisions made. As a Chair person explains

“Proposals and recommendations are presented by executive management. Background and material is pre-circulated and decisions are taken at the Board through consensus of opinion, but this not all...” (Interview No. 1).

It is the management who prepares the background and agenda and presents it to the Chairperson. Another participant provides a more detailed view of the process.

“Most of the issues that have taken place on the Board’s agenda have come from management who have prepared the agenda and presented it to the Chairman for approval. Following this, the Chairman calls a meeting with specific, agreeable dates. The Board meeting takes place in the Bank’s premises, and is attended by the Board members according to quorum requirements and per the articles of association. The Board meeting reviews each and every agenda item, and takes appropriate decisions against each after allowing for reasonable discussion among participants. Implementation of Board decisions is led by the secretary of the Board.” (Interview No. 11)

A participant from the Bank (organisation C) explains the process and points to the importance of the role of Chair in decision making processes on the Board

“Decisions are made through meetings of the Board when they take place. Management provides the basis on which to formulate decisions that relate to the Bank’s strategy or business plan. There is a good level of transparency and sharing in decision making, and the Chairman plays an important role in allowing this kind of openness.” (Interview No. 13)

Most accounts provided indicate the importance of the role of the Chair in the process. As one suggested, "It is the Chair which is driving the issues.... The way he puts commitment and force behind it will undoubtedly have effect on the way others perceive the importance of the decisions to be made....It is the tone of the debate and discussion which shows if the Chair is willing to take it all the way through or if the support for the issue under discussion is luke warm." (Interview No. 15).

The Chairperson's influence begins from the early stages when an issue is to be tabled for discussion.

"The Chairman plays an important role in the process from the preparation of the agenda, until the meeting has taken place. There is in-depth discussion by all members, and opportunities are provided for all members to express their views. In certain cases, the background materials are to be more comprehensive for Board members" (Interview No. 8).

The process may be slightly different but the main steps undertaken are the same. Decisions are mostly concerned with strategy, policy, business plan and macro level input down to functional decisions such as annual budget, enumeration, procurement, finance and the like. For example, in organization A the procedure begins with

“A clear Delegation of Authority also allows management delegation. They are made through resolutions that are signed by all Board members after discussions are held at Board level. Other considerations include, strategy and business plan (prepared by Management). It has to be aligned with shareholders’ expectations; macro-operational issues that require the Board input; operational and corporate matters that are within the Board rights as per the Delegation of Authority (DoA) Matrix; Delivery model (hierarchy) of the organization; Annual budget and budget execution (subject to DoA); and Remuneration, procurement, finance, and the other main policies.” (Interview No. 4).

Whilst management is normally represented by CEO the proposed decision needs Chair approval before being taken further for debate and discussion.

“Of course there are guidelines of responsibilities, and subjects are defined accordingly but it boils down to the fact that major decisions are based on the CEO’s recommendations.” (Interview No. 6).

Another participant added;

“However, subjects consolidated, and then agenda proposed and agreed by Chairman before it is circulated to Board and decision taken. Chair can block the process if he wishes. The politics between Chair and management is intriguing. Chair is political creature.... And has to be.... There are times for compromise and I suppose times for sheer bloody mindedness (laughing to reduce the impact of the phrase used in relation to Chair’s role)It is clear that there is a need for cooperation between the management and the Board and in particular the Chair. Following the approval of the

proposal, the Board delegates the authority to management for implementation. Delegation of authority is given to management” (Interview No. 7)

The operation of the Board is very well rehearsed. Everyone is aware of their role, their contribution, and the outcome. As one participant commented;

“Based on the articles of association a mechanism has been established to manage the decision process between the Board and management, including voting and quorum. The Board expects feedback from management on Board decisions. The Board decides on a number of business issues which are established against KPIs. Decisions are made within the authority of the Board. However, internal processes ensure that any decisions made are based on delegated power (i.e. compliance process).” (Interview No. 16)

Chair person has been observed to ensure that ‘transparency’ is observed and each decision is given a fair amount of time, effort and attention.

“It is a balancing act, sometimes the Chair knows that certain proposals are not workable and do not get the approval but he cannot dismiss them outright, he has to show that the issue in question is given a fair attention..... you got to take the Board with you even if you know the end results...collaboration between management and the Board (meaning Chair) is crucial I say”(Interview No. 14).

The feedback on the decision is expected as the decision is being implemented. In a way, the data suggests that the process of decision making is interrupted, enriched and transformed before being implemented and monitored by the Board again (Stiles and Taylor, 2001, Pye and Pettigrew, 2005; Kakabadse, et al., 2004; O'Higgins, 2009).

ISSUE 3: Findings

- *The process of decision making may be slightly different from one Board to another.*
- *The process generally involves: Back ground and supporting material usually prepared by the management, included in the agenda, discussed, approved or otherwise by the Board, delegations given to management for implementation, and feedback provided by the management to the Board.*
- *Chairperson plays an important role in the process of decision making*
- *There is a need for close cooperation and collaboration between management (CEO) and the Board (Chairperson)*
- *Board can be involved in decisions of strategic and policy nature as well as functional and operational types*
- *There are articles and guidelines for the conduct of the Board, members and the process however; the political nature of the Chair's contribution seems to be the determining factors.*

5.6.1.4 ISSUE FOUR: Strategic nature of the Board operation

By the virtue of their position and role Boards are expected to act strategically. Boards to a large extent determine the strategy (Freeman, 1984; O'Neal and Thomas, 1995) and expect the management to achieve it (Stiles and Taylor, 2001; Pye and Pettigrew, 2005). The PSBs involved in the study are no exception they deal with recent past, present and are expected to act strategically at all times.

“Yes they (The Boards) are expected to act strategically and they often do act strategically to meet the targets of the five year plan” (Interview No. 5)

Another participant was clearly of the view that the PSBs do not act strategically.

“No, the Board is focused on the present and the recent past but fails to formulate a consensus on the long term.” (Interview No. 12).

Analysis of the data available showed the presence of a polarity of the views. It led to the understanding that some Boards put more emphasis on strategic operation because of the nature of what they do, such as Banks and Oil companies; they seem to be more strategic in their operations. It is evident that such organizations follow the approach that strategies ought to be developed, followed through, and evaluated (a full cycle).

“The performance is seriously reviewed and all latest strategic issues are discussed and looked at. There is an emphasis on the achievement of the firm’s objectives, and the Board asks for periodic evaluations of the performance against the agreed plan which strategically covers a five year period.” (Interview No. 8)

As a Chairperson remarked;

“The management is required to highlight the strategic topics when we review the periodic performance report. Therefore as the Chairman of the Board I facilitate the discussion in a manner which keeps the eyes on the strategic issues when the performance is reviewed.” (Interview No. 10)

There seemed to be a feeling that PSBs could be more strategic but they are not.

“Yes, mostly, but sometimes we go off track. However, this depends on the nature of the subject and the surrounding circumstances. Nevertheless, strategic topics always have the priority focus.” (Interview No. 13)

There was an overwhelming agreement amongst the participants on the issue of performance and the need for strategy.

“When discussing the performance, the Board always focuses on strategic issues, especially in areas necessary for maintaining the company’s competitiveness, maintaining sustainable growth, and encouraging the employment of UAE Nationals.”

(Interview No. 16)

There was also indication of the awareness of the participants, specially the Chairpersons, of the importance of adapting to the wider environment and the need for responding to the changes outside the organization strategically

“Generally, yes. They tend to think about the results and what will be done to support the bank strategically in order to position the Bank in a more advanced position in the competitive environment” (Interview No. 11).

And another participant had stronger views on this topic.

“The point is that PSBs are no different from any other Boards. They have capacity to act strategically but often they get drawn into detail and tactics. This is an area where improvement could occur.” (Interview No. 1).

Another participant from the same organization critically viewed the role of the Board and drew comparison between the public and private sector.

“Yes maybe in some organizations Boards are strategic, not because they are aware of the need for it, no they think strategically because they have to like Banks, but in my experience, in most cases we have good intention but we get stuck in the past and details. We need to see things in the bigger picture otherwise we never can be strategic” (Interview No. 3).

“On the whole, there seems to be an agreement amongst the participants that ... operations of the Boards are strategic but could be better... a Board which not strategic in its operation can not accurately measure the performance of the organization let alone improve it...We need to become more aware of the environment and get out of the public sector mentality...” (Interview No. 5).

Boards are expected to operate strategically and focus on the required performance of the firm (Freeman, 1984; O’Neal and Thomas, 1995; Bowman and Kakabadse, 1997; McNulty and Petigrew, 1999). It is also observed that those who put more emphasis on strategy seemed to be more effective in achieving their targets. (Hendry and Kaiel, 2004; Kemp, 2006).

ISSUE 4: Findings

- *The Boards of the organizations involved in the study to lesser or greater extent are strategic in their operations.*

- *The extent to which PSBs are strategic in their operations is mainly due to the nature of their operation. Banks are reported to be more strategic in their work*
- *The Chairpersons of the Boards seemed to be more aware of the need for strategic approach towards dealing with management and firms performance*
- *There is a case for further improvement*

5.6.1.5 ISSUE FIVE: Chair's Conduct and Leadership style

There is no doubt that Chairperson plays a critical role in the smooth operation of the Board (Turner, 1978; Kakabadse and Kakabadse, 1999). A wealth of literature focuses on this issue (Dbury, 2002).

As indicated earlier, the accounts provided by the participants when discussing the composition of the Board clearly indicated the 'importance' of the Chair and the positive impact of their roles and their style of management on Board performance.

"I feel that the tone and understanding of the business that a Chairperson has is fundamental to efficient Boards" (Interview No. 1).

The participants were in no doubt that Chair's influence on the conduct of the Board and Board members.

“The Chairman’s style does, and in my experience of other Boards, it always affects the conduct of the Board. Our Chairman is close to the business, and has a good grasp of the key issues. His impact is positive but more time could be spent on team dynamics.” (Interview No. 2)

Another participant (a CEO) asserted,

“No doubt the Chairperson has a great influence on both the way the meeting of the Board is conducted and the outcome of the meeting therefore it is my responsibility to ensure that the Board comes out of the meeting with meaningful results” (Interview No. 11).

The Chair does play an important role in PSBs. The role is perceived as;

“The Chairman has a big role in managing the meeting and directing discussion and his influence helps the Board reach a clear conclusion. As Chief Executive I find this very helpful.” (Interview No. 15)

Also, it was expressed that,

“Yes, he provides guidance and wisdom, and manages the meeting of the Board toward achieving the purpose of the meeting” (Interview No. 9).

The Chair responsibility on Board goes beyond group dynamics and ensuring cohesion amongst the member;

“Yes he does. The Chairman does this by: ensuring he has control; adhering to corporate governance practices; being actively involved in the selection of Board members; making checks and balances; overseeing the legal responsibilities; and creating energy, and motivating and inspiring the Board members.” (Interview No: 6)

The support for the significance of the role of the Chair is often offered with some reservation.

“Yes it does. The openness of the Chairman allows Board members to express their views, build consensus, and engage in quorum decision-making (more of a team decision). The Chairman also provides management with a platform to express their views on proposals” (Interview No. 16)

The participants were aware of both the influence of the Chair on the conduct of the Board and the importance of his ‘management and leadership’ style.

“Yes, it does. I think it is dependent on whether the Chair has a micro or macro style of management”. In a sense, he or she should have the capacity for both. The micro

management is needed for trivial issues but the macro management is important for seeing the big picture” (Interview No. 3).

Some participants saw the role of the Chair as ‘Big brother’ or ‘Godfather’ implying that Chairs are also responsible to government.

“Yes. From the starting date when the Chairman was given the mandate, he has been seen as the big brother to the Board and godfather to the organization. This sort of style has a positive impact in the Board and its performance.” (Interview No. 7)

The leadership styles of the Chair differed from to another. Whilst participants did not refer to the categories of the leadership style employed by the chairpersons they resorted to describing the desired conduct and behaviors which they expected from the Chair and his leadership style. For example,

“I have worked with three Chairmen and each has had their own style. Their individual style depends on their background, experience and personal characteristics. My current Chairman encourages debate and motivates every participant to contribute. This has resulted in a healthier environment during Board meetings” (Interview No. 8).

The leadership style of the Chair is closely associated with the effective meetings for achieving the objectives of the Board

“The leadership style of the Chairman is instrumental in the effectiveness of the Board. Our Chairman is dedicated to ensuring that Board members are engaged during the Board meeting. He believes that Board members are accountable and responsible for the outcomes of the meeting, and therefore the meeting should always be productive and meaningful” (Interview No. 8).

Moreover, it seems that participants not only hold Chair position as very high they also have great expectations from the Chairperson. It is interesting to see that the Chair’s relationship with management is always under the scrutiny of the members. The independent nature of the Chair was also emphasized.

“Yes. As I stated earlier, the Chairperson is a mediator. He/she should encourage all Board members to participate, starting with the meeting’s agenda. The Chairperson should not give management the impression that his/her vote is the only vote they must gain; this is a common mistake made by Chairpersons. I have also seen some Chairpersons spend a lot of time with management studying and evaluating issues, and then forming a certain decision and rushing to the Board asking for approval. Board members, if they chose, should have all the insight to the business enjoyed by the Chairperson before making a decision. An effective Chairperson engages his/her Board, shares his/her insights, and encourages discussions between management and

the Board – including access to information - before making a decision. However, such processes can be lengthy if not well managed” (Interview No. 4).

The appreciation that Chair role is a difficult one was shared amongst the participants. Chair seems to walk a tight rope. He or she has to balance the need for getting things done and the speed with which decisions have to be made. A participant explains;

“We have a lot of expectation from the Chair... it is difficult... keeping management and the Board happy and at the same time sticking to the mandate given.... not easy... no matter what you do (Chair does) someone will not be happy with your conduct..(Interview No. 5).

Understanding the role of the Chair, their responsibilities, leadership style and their management of the meetings provides a basis for measuring their impact on the effectiveness of the Boards (Rogers and Molnar, 1976; Turner, 1978; Turner, 1990; Rodham, 2000).

ISSUE 5: Findings

- *Chairpersons play a crucial role in the conduct and performance of the PSBs*

- *Chairpersons are responsible for managing relationships with management and providing the Board with guidance and direction to achieve its goals*
- *Chairpersons are expected to maintain a balance between taking a classical leadership role to get things done quicker and adopting a more participative role to ensure involvement of the members, members' engagement, a healthy debate and arriving at consensus.*
- *Culturally the Chair is expected to act as the big brother with wisdom and ability and sense of direction*
- *Chairperson's capability and style of leadership determines degree of the effectiveness of the Board.*

5.6.1.6 ISSUE SIX: Agenda, meetings and prior discussion with Chair

Arguably the members' preparedness directly relates to their performance and the Board effectiveness (Renton, 1999; Carpenter and Westphal, 2001). In this respect early preparation of the Agenda and the availability of the supporting document is essential for effective decision making of the Board.

Observation has shown that in PSBs the Agenda and supporting materials are often prepared and provided a week before.

“Always! The agenda is pre-circulated to encourage input. All documents are issued one week before meeting.” (Interview No. 1)

The Board members expected that the Agenda for the meeting and its accompanying materials would reach them as soon as possible so that they are enabled to understand the issues involved and prepare themselves for their role.

“Yes, as we receive the agenda in advance with the necessary accompanying materials. This allows us to review, prepare and analyze the subjects to be presented to the Board, and enables us to be ready for discussions.” (Interview No. 13)

However, the process of preparation of the agenda begins much earlier behind the scene and predominantly involves the CEO, management team, and the Chair. From the management side it is important that issues are selected and presented properly and in order of importance.

“As Chief Executive, I together with my management team am involved in preparing the agenda and the necessary materials that are needed for discussions. We also make sure that all members are provided with, and assisted if necessary, all information required before meetings. This ensures that they are well informed on the issues to be discussed which definitely adds to the success of the Board meetings” (Interview No. 2).

Since it is the management which has an interest in seeing that issues raised will go through the Board meeting and receive the approval of the Board, the CEO ensures that adequate

materials are provided and more importantly issues are discussed with Chair so that “there are no surprises” (Interview No. 5).

As one CEO explains;

“I see my role as making sure that most decisions reflect the reality of the organization’s capability and position. Board members may be very knowledgeable but no one knows the company and its state of operations like us (management). ... let me tell you Chair knows too.... so their relationship with the Chair is a collaboration and a sybaritic one if you get what I mean.... We need him and he needs us.... the first step is getting the items on the agenda and that needs the blessing of the Chair...he knows the Board and he knows what works and what doesn’t” (Interview No. 11).

The Chief Executive role is of particular importance when it comes “to getting approval from the Board”. Most CEOs have an interest in how the Board will deal with the issues raised and do whatever is needed to be in the Chair’s ‘good books’.

“If you have the Chair on your side you can relax. Chair is an important figure. He or she is trustworthy and powerful so he can swing the votes to one way or the other. Being in his or her good books is essential. Let’s put it this way, there is no point on tabling an item without discussing it with the Chair first.”(Interview No. 14).

The discussion of issues to be discussed on the Board with other members varied depending on the issue and the management involved. As one Chair asserted;

“Some key/critical issues are discussed in advance with other members in order to ensure the smooth functioning of Board meetings.” (Interview No. 1).

The significance of issues certainly makes all the difference in terms of deciding to share with others prior to the meeting or not.

“Only if there are additional requests or if there is a significant strategic review being carried out. i.e. industrial strategy review; long-term balance sheet structure; Annual Business Plan.” (Interview No. 2).

The Chair position provides the prerogative for sharing information.

“Yes, if the issue is important we raise it with some members to ensure alignment.”
(Interview No. 6)

And,

“I have to make that judgment call for members unless the subject has certain sensitivity or priority, some members bring these issues to me as a Chairman before the meeting.” (Interview No. 10)

However, the participants felt that it is not a usual practice 'but it happens'. As a member explains;

"Some topics are discussed with the Chairman and other Board members in advance of the meeting. However, this happens on an ad hoc basis, and will depend on my involvement in the subject area, as well as the sort of advice I am in a position to provide." (Interview No. 13)

The main issue which all members were aware of was 'conflict of interest'. However, this did not stop them from occasionally sharing information and discussing issues with others prior to the meeting.

"....They (members) must build knowledge and discuss topics on the Board otherwise there will be a conflict of interest in one way or another" (Interview No. 16)

It is evident that preparation of the Agenda and discussion of issues amongst the participants is not uncommon. The political nature of the communication sometimes resulted in reaching a desired solution which otherwise would have been impeded (Renton, 1999; Carpenter and Westphal, 2001; Nicholson and Keil, 2004; Huse, 2005).

- *Preparation of Agenda and supporting material for the Board meeting are important activities*
- *CEO's often share the agenda and the issues of strategic importance with the Chair prior to the meeting.*
- *Chairs also may discuss some issue before the meeting with other members "to get a feel" for discussion on Board.*
- *Members are aware of the issue of 'conflict of interest'.*
- *Agenda and the formation, quantity, and time allocations all have impact on the success of the Board in meeting its objectives.*

5.6.1.7 ISSUE SEVEN: Constraints and demands

Literature on the Board effectiveness recognizes the importance of considering demands and constraints faced by directors/ senior management (Stewarts, 1987). The directors' position on the Board either as a management member or purely Board member is important and subject to a great deal of influences (Karasek, 1979; Analoui, 2007). These could range from the Board itself, such as the incorrect composition of the Board members to the external influences outside the member's control (Roberts, 2002; Kakabadse, et al., 2004).

Interestingly, it was observed that the participants did not make any academic distinction between 'demands' and 'constraints'. To them anything that "slows them down and does not allow [them] to get their job done" falls in this category (Interview No. 12).

The data collected unexpectedly revealed fewer constraints and demands than are usually expected from such high caliber positions. As a CEO asserted, "a few." (Interview No. 2).

Lack of time seems to constitute a major issue in this category. This ranged from time to get everybody involved;

"Very few. Time to get everybody to the same level of insight is often a challenge"
(Interview No. 1).

Time required for being fully prepared for the Board meeting;

"Receiving full information on time, and being prepared sufficiently on the topics to be discussed and/or voted on."(Interview No. 5).

Lack of time because of the commitments elsewhere;

"Time – when the director is involved in a large number of Boards. Time: Finding time to read the Board material is challenging for management."(Interview No. 7).

Participants were critical of the colleagues and members who hold membership of several Boards, and thus have little time to spend on the Board activities.

"I feel a lack of time is one of the most significant constraints. This is particularly true as some Board members who are members of several Boards." (Interview No. 13)

Little time seems to be allocated to various issues in the Board meeting:

“When time devoted to the Board is inadequate which may causes lack of focus and weak contribution?”(Interview No. 11).

A CEO commented that ‘time’ is not a major constraint;

“Since the Board meets only twice a year we have enough time for the preparation of issues. This enables us to devote sufficient resources to ensure that these meetings are successful, noting that the Board and these meetings are also supported by recommendations provided by the subcommittees. The real constraint is the unpreparedness of the Board to deal with issues in hand.” (Interview No. 10)

Other issues raised included the mismatch between members and the Board functions;

“The mismatching between the Board member’s qualification and background with the firm business resulting in notable gaps in skills set of the Board.

When time devoted to the Board is inadequate which may cause lack of focus and weak contribution?”(Interview No. 10).

This was also reported by another participant;

“Clarity and consistency are the key to high performing Boards, as we continue to mature we will continue to be better at both dimensions.”(Interview No. 7).

The inadequacy of the information, selective nature of the information provided by the management and limited discussion all pointed to constraints as a result of Board dynamics;

“Little or selective information is being presented at the Board. Emphasis is more on the good parts only. I.e. Matters are discussed mostly based on what went right. Limited discussion focuses on what went wrong and the reasons for this. We need to discuss the difficult issues and come up with solutions for these.” (Interview No. 9).

Constraints of an external nature were not brought up very often. However, the awareness of the Board members of the external factors and how they can act as demanding and constraining factors was present.

“Being a Board member, especially as a Chair or CEO means that you are subject to pull and push from outside. Not so much the CEO position but Chair certainly has to respond to external forces beyond their control. This is a political position and it comes with the role...” (Interview No. 5)

One of the interesting issues which emerged from the discussion of demands and constraints was the way different members perceived the severity of the issues depending on their role on the Board.

“Chairpersons and CEOs experience this more than others, they are responsible to the management, organization and the Board, so they feel the pressure more”. (Interview No. 14).

The researcher made the observation that most Board members especially Chairs and CEOs did not wish to make a big issue out of the presence of the demands and constraints. This is a characteristic of the traditionally oriented management style which finds it to be a weakness to admit that he or she experiences ‘demands’, and ‘constraints’ at work (Analoui, 2002).

ISSUE 7: Findings

- *Time constituted the most pressing constraint for the Board members*
- *Board members experienced constraints and demands differently according to their roles on the Board. Chairs and CEOs experienced the demands from colleagues and outside factors more than others.*
- *Multiple membership of Boards can cause time constraints*
- *Not being prepared which includes lack of information, mismatch of the members, and misallocation of time to discussion of issues seem to adversely affect Board effectiveness*

5.6.1.8 ISSUE 8: Availability of choices

The availability of the choices to members of the Board has to be seen in the wider context of their activities (Stewart, 1987). Understanding the nature of the constraints and demands that people experience helps to understand the choices available to them. The literature on senior managers' managerial effectiveness has been informed by the 'choices' available to managers and their influence on their effectiveness (Stewart, 1980; Kakabadse, et al., 2004; Analoui, 1999, 2011).

The participants understood the choices available to management rather laterally. Stewart's concept of the managerial choice refers to the availability of the options or choices left when demands and constraints impose limitation on managers preference and alternatives sought (Stewart, 1980). In the case of the present research, most participants referred to choices as what members should do rather than what alternatives they are left with. For example since 'lack of time' posed a major constraint, the participants expressed that more time should be allocated to the Board.

"The most important choice to any Board member is the time they dedicate to really understanding the business. In my experience I have seen some variation" (Interview No. 1).

Or as another participant pointed out;

"Time availability" (Interview No. 4)

Some participants felt that they should allocate more of their time to their Board activities;

“I make sure I allocate enough time to each Board of which I am a member, and try to utilize my network to help the Board and the Bank as needed.”(Interview No. 13)

Other participants felt that increasing communication is a choice that members can make to improve effectiveness of the Board;

“To engage in more effective communication with the Board members to ensure an effective alignment between members and the Board’s vision” (Interview No. 3)

It was also interesting to see that some Board members were aware of the adverse effect of possessing multi membership on the effectiveness of the Board. As one explained;

“I look forward to keeping my Board memberships at a minimal level “not more than 3 Boards” as Chairman and Board member I understand that we have challenging duties which need our time.” (Interview No. 10)

A CEO explained; that the management team must meet Board expectation.

“We as a management team must meet the expectations of the Board and act in the best interests of the company. These are the choices available to us to ensure a fruitful relationship is achieved between management and the Board” (Interview No. 15)

A Chair expressed his role and his contribution as a choice for improved performance of the Board.

“To follow up CEO’s business closely and meet government’s objectives through providing my time and guidance to the Board”. (Interview No. 14)

Induction training also is seen as an option;

“Giving the Board the time and energy necessary to better understand the Bank’s business. To this end, I am considering educating Board members by putting them through an induction program.” (Interview No. 11).

On the whole, the choices available to the participants were few if any “I have limited support to enhance my effectiveness on the Board.” (Interview No. 12). However, the majority showed awareness of what they can do in order to provide the choices for improving their own and their Board’s effectiveness. The examples of ‘better management of the time, practices, their own conduct and processes’ were choices which were left to them to exercise.

ISSUE 8: Findings

- *Choices available to Board members are limited*

- *Reduction of Board membership would lead to freeing up more time hence a choice for improving effectiveness of the Board*
- *Allocation of more time to the Board, better management of effort, resources, and processes constituted the limited choices available to Board members*
- *Training was viewed as a choice if it was available*
- *Board members proper execution of their role is an important choice that can affect the Board effectiveness*

To sum up, consideration of this category of the themes and resulting issues showed how important the processes and activities of the Board are in relation to its effectiveness. The conduct of the Board members, their choices, and constraints they experienced and other issues such as the procedures and protocols impacted the decision making process, the quality of decisions and the effectiveness of the Board in achieving its goals and objectives.

5.7 THEME FOUR: BOARD CULTURE AND DYNAMICS

The fourth category of data which emerged from thematic analysis of the data is concerned with Board Culture and Dynamic (See Table 5.9). This led to the identification of two sub categories. These include;

- Interactions with others
- Culture/Climate of the Board

These identified themes not only highlighted the nature, importance and influence of the interaction and communication of the members with others on the Board effectiveness, also interactions between Board members affect the Board effectiveness (Salk and Brannen, 2000; Sherwin, 2003; Kakabadse, et al., 2004; De la Rosa, 2006), but They also shed light on the nature of the group dynamics (Hermalin and Weisbach, 1988; Hertz and Imber, 1993) as an essential factor for effectiveness of the Board.

As shown in the discussions of the previous themes, the Chairperson seems to play an important role in the dynamics and outcome of the PSBs (Kakabadse, et al., 2004). It has been observed that one of the established roles of the Chairperson is to deal with any conflict arising during the Board meetings. Conflict management and resolution has been recognized as an important characteristic of the Chairperson of the Board (Floyd and Lane, 2000; Gong et al., 2001).

Table 5.9: Emerged Categories and Sub-categories of the 'Board Culture and Dynamics'

No.	MAIN CATEGORIES	SUB-CATEGORIES
4	BOARD CULTURE (Atmosphere) AND GROUP DYNAMICS	<p>Interactions with others</p> <ul style="list-style-type: none"> • Group dynamics <p>Culture (Climate) of the Board</p> <ul style="list-style-type: none"> • Board atmosphere • Working together • Chair and conflict

Source: Data Analysis

5.7.1: Emergent Issues

Further thematic analysis of the above two major sub categories of the data in this category resulted in identification of four main *Issues*... These are;

- Group dynamics
- Board atmosphere
- Working together
- Chair and conflict

In the remainder of this section each of these emergent issues will be discussed in some detail and examples will be provided from the data generated.

5.7.1.1 ISSUE ONE: Group dynamics

The issue of group dynamics has been the concern of many researchers in different work related settings. It is generally understood that a higher the degree of cohesion amongst the group and theme members (Analoui, 2007) often results in increased effectiveness, productivity and output of the group (Hertz and Imber, 1993; Hertz and Imber, 1993). In this context it was felt desirable if not necessary to understand the relationship between the members on and off the Board.

The majority of the participants described the nature of the interaction with others as;

“...in varying degree... anything from well to very well” (Interview No. 1)

A minority referred to their interaction with others as “not very well” (Interview No. 3). Certainly, the interaction amongst Board members did not seem to be homogeneous. As one explained;

“I know some reasonably well, while others very little... it also depends on the Boards. On one Board I know almost everyone but on some Boards where I am a member I only know a few“(Interview No. 11).

A CEO referred to internal interactions between the members as being based on trust and personal chemistry;

“In the main our interactions with each other can be described as good to very good. Most are extremely approachable and interesting individuals to be around. Trust and personal chemistry between CEO’s and Boards can often make the most significant impact on Board efficiency” (Interview No. 2).

Whilst most Board members assumed that the researcher is familiar with the nature of the relationships between the members on the Board, one succinctly described the relationships as;

“Collegial and friendly, yet professional” (Interview No. 12).

He felt that more explanation is needed, so he added;

“We are not enemies, we are friends... but we are also professionals and when operating in a Board meeting.... the professional role takes over. We debate and argue but in a friendly manner... it never gets out of hand... we do have respect for one another and that helps a lot” (Interview No. 12)

It was also discovered that most members belonging to one sector and sharing the membership of a small community means that almost everyone knows everyone else and the grading and social status has already been established. This, as one participant mentioned, has influence on the nature and extent of relationships between the members on the Board.

“In a small strong society like ours, we know each other either from school, or the community or family and friends.” (Interview No. 10)

It was also commented that sometimes professional relationships in other settings have created the opportunity for the members to know one another.

“Yes, we know each other. However, we meet on an occasional basis at social events, or at formal meetings within the government community” (Interview No. 8).

Another participant also supported this view and commented;

“Occasionally! In real life we know each other socially and interact at common occasions. For example, farewell parties, weddings, and public government gatherings” (Interview No. 12)

The members of the Board also met outside the Board setting. Other participants explained how interactions outside the Board are usually determined by the nature of the business.

“Not much. Time is a factor here. However, gatherings are determined by business. Sometime a few of tend to meet in similar gatherings purely based on the business interests and department representation... but to put sometime aside to meet to discuss the Board issues generally does not happened as frequently as you would expect... ”
(Interview No. 16)

A CEO further explained;

“Sometimes we undertake effective offline discussion on things related to issues discussed at the Board. However, this is being done to a small extent only” (Interview No. 15).

The researcher observed that there seems to be a pattern for the development of the relationships on the Board. This was also confirmed by the participants;

As one Chairperson explained;

“Well of course... as a Chair you need to maintain a relationship with everyone involved...with as many members as you can to get a good atmosphere for collaboration... that is true... but it is also true that the Chair and CEO have to closely work together- from setting the agenda to deciding the issues to be discussed... executive members are also known to me [Chairperson].. this leaves us with NED who play a very important part and have to be pulled in and got involved without showing major concern” (Interview No. 14).

It was evident that three major issues seem to influence the nature and extent of the relationships on the Board. These are;

- Previous introduction and interaction in other settings

- Roles and responsibilities on the Board such as acting as Chair or CEO, and inevitably
- The personality and characteristics ('chemistry') of the members

On the whole, there seemed to be a 'good' degree of interactions between the Board members and the group dynamic can be described as being conducive to effective operations

(Kakabadse, et al., 2004; De la Rosa, 2006).

ISSUE 1: Findings

- *Group members interaction was influenced by professional meetings outside the Board*
- *The nature of the role and position of the members on the Board such Chair and CEO influenced the intensity and frequency of the interaction inside and outside the Board*
- *Personal characteristics and 'Chemistry' between the members played an important part in their interactions*
- *The membership on PS and belonging to small community meant that almost everyone, to lesser and greater degree, knew about one another which facilitated interaction inside and outside the Board*
- *The assumed role of the participants as professionals influenced the degree and extent of their interaction inside and outside the Board*

5.7.1.2: ISSUE TWO: Board atmosphere

Related to the above is the 'atmosphere of the Board'. To many writers the interactions and communications of the members invariably determined the atmosphere of the Boards (Sherwin, 2003; Kakabadse, et al., 2004). Some writers go as far as suggesting the ability to communicate and interaction with one another should be regarded as 'Core Competencies' for Board members (De la Rosa, 2006).

Participants were aware of the nature of interaction between members and the atmosphere. However, they described the atmosphere differently. Some used attributes such as 'positive' and 'good' in relation to the outcome of the interactions on the Board. For example;

A Chair explained;

"Generally speaking the Board has a very good atmosphere..." (Interview No. 14)

Another Chair described it as;

"The Board's atmosphere is healthy" (Interview No. 6)

Whereas one participant felt that the atmosphere changes 'from Board to Board' and 'meeting to meeting'.

"For those of us who have the experience of other Boards it is clear that the atmosphere varies from Board to Board, and even from one meeting to another"
(Interview No. 4).

A CEO however qualified the nature of the atmosphere as;

"Generally positive. The Board is constructive and supports management proposals. At times small inter-personal agendas become a distraction and drive the conversation into detail." (Interview No. 2)

Another CEO commented on the professional nature and team composition of the Board;

"No doubt the atmosphere is friendly and professional. It is team work...you expect that from a Board with responsibility for managerial issues..." (Interview No. 15)

A Board member explained the professional nature of the interaction and atmosphere of the Board.

“They work together as a team. They have due respect for each other. Differences in points of view in Board meetings do not directly impact on personal relationships.”

(Interview No. 12).

Another Board member also supported the above view;

“Since I joined the Board I feel that we are enjoying a positive and healthy environment. We have worked as a team and I have no concerns in this regard.”

(Interview No. 8)

Interestingly, it was discovered that the role of the Chairperson not only is important in so far as creating connection and facilitating interactions, but also his role is seen as essential for creating and maintaining a positive atmosphere on the Board.

“The tone is set by the Chairman. In our case congenial and relaxed” (Interview No. 11).

Another CEO remarked;

“Our Board enjoys a positive atmosphereAnd let’s not forget the Board is aligned with the Chairman... He sets the temperature and tempo so to speak.” (Interview No. 7)

On the whole, the Board members felt that there is a relationship between being professional and friendly, the nature of the meetings and the positive atmosphere when they interacted with one another

ISSUE 2: Findings

- *Generally the Board atmosphere was described as ‘positive and friendly’*
- *The CEO generally suffixed good atmosphere with productivity of the Board and the resolution of the issues on the agenda*
- *The Chair person role has been acknowledged as ‘essential’ for creating a good and positive atmosphere*

5.7.1.3: ISSUE THREE: Working together

The question, how well the Board members work together generated positive responses all around. These views validated the positive atmosphere and the group dynamic on the Boards and their importance for the Board effectiveness (Hertz and Imber, 1993).

The emphasis seemed to be placed on the ‘collaboration’ and ‘coordination’. As a CEO explained;

“In the main. Well again the thinking styles and personalities are complementary. However, it only takes one member with a different personal agenda to dilute the Board’s effectiveness.” (Interview No. 2).

A Chair person also reported that there is a ‘close coordination’ amongst the members. However, he placed emphasis on the ‘*Key issues raised on the Board*’.

“..very well, there is a close coordination and collaboration on key issues. We know we are here to get a job done and it has to be done by us... the key issues are those which relate to the survival and development of the organization. When we discuss issues of that nature attention is focused and there is a high degree of coordination between the members.” (Interview No. 1)

Interestingly, the participants when describing the way they worked together they used the terms ‘team’ and ‘team spirit’ frequently. A CEO referred to the Board members and said;

“They are working together as a team and the amount of interaction among themselves during the meetings is very encouraging.” (Interview No. 11).

This was also mentioned by another member;

“They work as colleagues and a team. There are no adverse attitudes.” (Interview No. 16)

There was also a feeling that in that context there is an expectation from members to work and collaborate together and *that* was ‘acceptable’

“They are fine and there is a team spirit that can be felt. There is an acceptable degree of cooperation between members. It is expected from everyone to pull together the resources and deal with sometimes difficult decisions.” (Interview No. 7)

It was intriguing to see that when reporting on the activities of the members each member could easily detach himself from the others and adopt a ‘*parental view*’ of the situation and refer to others as ‘*They*’. This was particularly evident in the views of the Chairs and CEOs who felt that they were stakeholders and had special roles to play on the Board. None the less, the participants described their interaction and working together as “*generally very well*” (Interview No. 14).

As one member described;

“We are all aware of the importance of working and cooperating together. We work on a Board and it is only natural to expect from us team work. Out there [in daily positions] we are expecting the others [employees] to cooperate with one another. ...

aren't we? It only makes sense to practice it ourselves and for a good reason too...."

(Interview No. 5)

A few participants use the term 'synergy' to place more emphasis on team work and the need for close co operation on the part of the members;

"There is a good synergy between the members." (Interview No. 6)

One participant (CEO) also referred to the 'strategic partnership'.

"They work as strategic partners and there is synergy." (Interview No. 7).

The participants generally avoided talking about conflict and disagreement. It was evident that the overall managerial culture was influenced by deep rooted 'classical' thinking where conflict is bad, destructive and has to be replaced with 'harmony'.

"Yes, all members work together well. There are no notable conflicts or disagreements that negatively might influence these good relationships, therefore we see them working in harmony." (Interview No. 15).

Another indication came from a Chairperson who seemed to exploit this desire for reaching agreement and avoiding disagreement and conflict;

“We all know what conflict does... nothing is done, relationships are damaged sometimes beyond repair and nothing good comes out of it... Board [members] knows it too and they are open to sensible suggestions from the Chair... it saves us time and effort all around.” (Interview No. 14)

As one member succinctly put it;

“They usually work together very well, but the key is the CEO and the Chairperson.”
(Interview No. 4)

The cooperation between secretary and the Chair seemed to act as a determinant for working together well. The role of the Chair in achieving ‘good working’ amongst members was noted frequently.

“Chair is the key...like a conductor... sets the tone... I have seen it before. When Chair works well with say Chief Executive, the Board [members] takes notice and operations go smoothly. Conflict is inevitable but the Chair should be able to deal

with it should it arises... you know what I am saying [seeking approval from researcher]." (Interview No. 12)

To sum up, the members valued the positive side of the good coordination, collaboration and avoidance of the conflict and disagreement. There was a unanimous agreement that '*They worked together well*' and that was essential for the effectiveness of the Board (Hermalin and Weisbach, 1988; Hertz and Imber, 1993).

ISSUE 3: Findings

- *Generally the Board members worked very well together*
- *The terms 'team work', 'synergy' were use to signify the 'cooperation' and 'good coordination' amongst the members.*
- *They associated harmony and good relationships with working well together. There was a distinct feeling of the undesirability of conflict and the need to avoid disagreement on the Board*
- *Chairperson played an important part in achieving the state of 'working together' and 'achieving results', and*
- *Adherence of the members to the classical values which emphasized on harmony and cooperation on one hand and negative aspects of conflict on the other was seen as necessary for getting jobs done especially by Chairpersons*

5.7.1.4: ISSUE FOUR: Chairs and Conflict

The researcher's own observations and the data generated through interviews shows the indisputable importance of the Chair, his role and his influence on all aspects of the Board. Studies concerned with behavior of the members on the Board especially Chairpersons (Aguilera, 2005; Petrovic, 2008; O'Higgins, 2009) have stressed on the Board members contribution for the overall effectiveness of the Board. The role of the Chairs on PSBs is particularly perceived as important. The Chair role especially in 'managing conflict' is viewed as crucial for the smooth operation of the Boards.

Participants confirmed that dealing with conflict is an integral part of the Chair's role. The participants in charge are also aware of their role and the importance of managing conflict on the Board. However each adopt a different approached influenced by his own managerial values and perspectives. For example, a Chair person who places importance on the problem solving and using rational and logical approaches explains;

"By attempting to always anchor the issues back to a logical well-formed understanding of the problem and respecting everybody." (Interview No. 1).

The CEO in the same organization revealed that;

"The Chairman deals with the conflicts well, although at times he can show frustration if people don't 'get it', or promote personal agendas." (Interview No. 2).

This is another indication of the adherence to the classical management values and beliefs where the manager is almost entirely preoccupied with organization interests rather than recognizing the individual interests too. In another assertion 'reaching consensus' has been emphasized.

"The Chairman will try for consensus first. He takes a fair stand." (Interview No. 3).

In this case it is clear that attributes such as 'firm when conflict goes beyond protocols' are used to describe the Chair style of conflict management.

"He asks for further studies. He also uses his skills to simplify a deadlock, is firm when conflicts go beyond meeting protocols, and anticipates conflicts before they happen."
(Interview No. 4)

Another example of adherence to the classical approach amongst Chairpersons is where the presence of conflict is denied and stress is placed on 'working in harmony'.

"Yes, all members work together well. There are no notable conflicts or disagreements that negatively might influence these good relationships, therefore we see them working in harmony." (Interview No. 14).

In cases where adopting a classical approach by the Chair is evident, observation has been made that instead of involving as many members as possible, the Chair stresses on the presence of 'more physical evidence' and 'documentations'.

"He [Chair] often makes an assumption that the solution is hidden in the documentations rather than reaching out for members views... it is not surprising... he wants to swift through the evidence and solve the problem himself... and this is partly our own fault.. we holding in the position of boss rather than a facilitator." (Interview No. 16)

Another interesting approach adopted by a Chair is 'avoiding the creation of a public scene'. For example, A Chairperson explains;

"As Chairman I try not to discuss conflicts in the Board room, .. creating a public scene...but take them outside to avoid embarrassment." (Interview No. 6).

The CEO also confirms this and comments further;

"He has had a hands-on style since the Board's establishment. He responds to challenges as they occur, and will call for a closed session to resolve a dispute if necessary." (Interview No. 7)

The use of closed session is often used to “keep the thorny issues inside the family” (Interview No. 5).

By dealing with conflict outside the formal meeting the Chair attempts to defuse the situation before the next Board meeting. A Board member said;

“He usually deals with any kinds of conflict outside of the Board on a case by case basis, and on a one-to-one basis, to ensure the next Board is not subject to any kind of conflicts or constraints.” (Interview No. 8).

The issue of ‘respect’ becomes an important ingredient for performing the Chair’s role. This has been mentioned by both the Chairs themselves and the Board members. A member explains:

“He has the ability to manage any conflicts as he knows every member in person and enjoys their respect.” (Interview No. 9).

Another Chairperson admits that there are conflicts but he uses ‘respect’ as a basis for resolving conflict.

“I deal with conflicts on the basis of respect to every party views, however, we try to bring amicable solutions to these conflicts.” (Interview No. 10).

It is clear that the human relation style of management is used by some to deal with conflict in an ‘amicable’ way. This view is supported by the CEO of the organization.

“By listening carefully to all points of view and ultimately making a decision the Chairman asks every member for their personal opinion.” (Interview No. 11).

The participative approach adopted by the Chair allows for greater involvement hence ‘satisfaction all around’.

“Good, understand, discuss, take time and convince members. It is satisfaction all around. It is not easy and at times it seems there is no solution but he gives the impression that the solution whatever it may be is here on the Board. Someone has it... if not the complete solution... it becomes enjoyable work.” (Interview No. 12).

On the whole, the Chairs of the Boards seem to use whatever style they are familiar with to resolve a ‘problematic’ situation. In all cases they are aware that conflict will weaken the effectiveness of the Board. Moreover, conflict resolution is an important characteristic of the effective Chairperson (Floyd and Lane, 2000; Gong et al., 2001).

ISSUE 4: Findings

- *Board members are aware of the presence and inevitability of conflict during their meetings*
- *It is an all around expectation, all-be-it implicitly, that Chairs should be charged with the task of 'conflict resolution'*
- *Chairpersons adopt different styles of conflict resolution. It varies from 'Classical' (deals with conflict) to 'Human Relations' (adopting participative and democratic approaches)*

5.8 THEME FIVE: MEMBERS PERCEPTION OF CONTRIBUTION TO BOARD EFFECTIVENESS

The fifth category of data which emerged from thematic analysis of the data is concerned with contributions of the Board members to Board effectiveness (See Table 5.10). This led to the identification of three sub categories. These are;

- Attributes of an effective Board
- Individual (self) perception of effectiveness
- Reward and motivation

These identified themes highlighted the perception of the participants about Board effectiveness, and their perception of their own effectiveness or contribution made towards the overall effectiveness of the Board. It is believed that the perceptions of the members regarding the Board's effectiveness are crucial for understanding their behavior (Conger et

al., 1998; Conger and Lawler, 2002; Pye and Pettigrew, 2005). Finally, the issue of reward and motivation for membership of the PSBs is discussed in some length. Reward and motivation are thought to be crucial for senior management motivation (Park and Ungson, 1997; Tyson and Bournois, 2005; Analoui, et al., 2011).

Table 5.10: Emerged Category and Sub-categories of the 'Board effectiveness and members contribution'

No.	MAIN CATEGORIES	SUB-CATEGORIES
5	Members Perception of Contribution to Board Effectiveness	Board effectiveness and members contribution <ul style="list-style-type: none"> • Attributes of effective Board • Individual (self) perception of effectiveness • Reward and motivation

Source: Data Analysis

5.8.1: EMERGENT ISSUES

Further thematic analysis within each category did not result in the emergence of strong issues as sub-divisions to the identified sub-categories. It was felt that the identified themes should be treated as main issues for the purpose of the analysis. These are;

- Attributes of an effective Board
- Individual (self) perception of effectiveness
- Reward and motivation

The above emerged themes have direct relevance for the achievement of the objectives of the present study. As such they provide the core theme for better understanding of the effectiveness of the PSBs.

5.8.1.1 ISSUE ONE: Attributes of an effective Board

The variety of comments and views concerning Board effectiveness support the findings in the literature that Board members perceive effectiveness differently (Pye and Pettigrew, 2005). The position of the individuals on the Board, their role and even their accumulated experience to date influences their views of what should be the main attributes for effective Boards (Quick, 1997; Katzell and Thompson, 1990; Kakabadse et al., 2000).

It was intriguing to see that when participants were asked to provide their own 'assessment' of their Board almost all participants express their view both in numerical terms as well as listing a variety of characteristics that could be attributed to an effective Board per se. For example, A Chairperson placed emphasis on 'clarity' and 'business capability of the members'.

"I believe it is down to clarity of the objectives, decision making, and a balance of well-developed business capabilities. In my view a supportive culture is, on a 1-10 scale where 10 is excellent, ours is about 7. We are an improving (Interview No. 7).

- *Clarity*
- *Consistency*
- *Capability (individual and collective)*
- *Trust*
- *Proper order and structure"* (Interview No. 1)

Another Chair felt that the issue of the 'delivery' for 'achievement' must be emphasized.

"I assess the degree of the effectiveness of the Board by providing a score of 7/10. This is on the basis of the delivery that has been achieved, which is a major element in the success the company has achieved.

- Experience
- Commitment
- Time
- Engagement / contribution" (Interview No. 6)

Some participants resorted to outlining a number of characteristics. For example, a Chairperson perceived an effective Board as follows;

"I think effectiveness of the Board is about;

- The ability to contribute (knowledge, information).
- The experience that brings solutions to issues raised in the Board.
- The commitment of the members.
- The strategic thinking of the Board members.
- The ability to work with others as a team member.
- The motivation to achieve results." (Interview No. 10)

He also referred to effectiveness of his Board as;

"Pretty good... around 80 percent... it could be better... but I am happy with it"
(Interview No. 10)

Another Chair whose views tended to represent a classical mode of managing operations asserted that;

“Reasonably effective... 80 percent... we need more efficiency but it is difficult to get consensus all the time. To me effectiveness is about;

- Authorization
- Organization
- Procedures
- Co's management.” (Interview No. 14)

The views of the Chief Executives seem to be more critical and provide a view of the Chairperson in their comments;

“The difference would be a function of maturity of the Board.... For our Board I give 5 out of 10...we need to learn more about the issues we deal with and the environment we are operating is.... 50%... it could be better. I believe Board effectiveness is about.....

- Good Board Charter
- Good Chairmanship
- Independent Board, and
- Having very effective Board Committees like the Executive Committee, Project Committee and the Audit Committee.” (Interview No. 2)

It was clear that CEOs felt that the Board should support them and that was seen as criteria for an effective Board.

“The effectiveness of the Board... well 8 out of 10...the important elements are;

- Clarity of decision-making
- Understanding of the supervisory role
- Agreement as to strategy
- Supporting the executive in implementation of that strategy
- Holding the executive to account

Support and strategy are very important. In my view once the strategy is agreed on ... we need to stick to it and remembering the Board is there to support the management and the organization.” (Interview No. 11).

This view was also shared by other CEOs.

“Effective Board in my opinion is about understanding the company, her needs, and taking action... It is about;

- Alignment between Board members and management
- Understanding company needs and issues
- Providing specific actions and decisions
- Having time for each topic
- Providing necessary support
- Access and proper communication.” (Interview No. 15)

It was also evident that the committees associated to the Board play an important role in 'getting things done'. As a member explained;

"Generally, the Board is effective and has got better over time. Most of its detailed work is done through Board committees. Four committees have been established namely Audit, Risk, Remuneration and Governance. Each of the committees has its own charter. Generally each of the committees is effective in supporting the work of the Board as a whole." (Interview No. 12)

Another member commented on the effectiveness of the same Board and stressed on the importance of the role of the Chair, effective communication and 'handling conflict';

"The Board is highly effective but can be enhanced by including more technically oriented members.

- Clarity about the roles and responsibilities of Board members
- Clarity about targets and the strategy of the firm
- Proper composition and multi-discipline representation of members on the Board
- Reasonable frequency of Board meetings i.e. four plus meetings per annum
- Clear agenda and sufficient time allowed for discussion and deliberations
- The effectiveness of the Chairman of the Board in handling conflicts, disagreements and ensuring effective communication between the Board and management, and between the Board members themselves." (Interview No. 13)

Board presentation was also flagged as being important. As a member explained:

“Effective in the subjects presented, but not involved in other matters which potentially need Board involvement. So in general the Board is selectively effective. However, the Board needs to be generally effective in all matters.” (Interview No. 8)

In summary, the Board effectiveness was perceived as a combination of a variety of factors. These included capability, Chairperson, delivery, involvement, decision making, and the indispensable role of the committees which serve the Board (Conger et al., 1998; Conger and Lawler, 2002; Pye and Pettigrew, 2005).

ISSUE 1: Findings

- *Board effectiveness is a function of a multitude of personal, organizational and managerial factors*
- *The expectation of the members in defining Board effectiveness varies according to their roles on the Board.*
- *Chair is expected to exhibit leadership and management qualities*
- *CEOs are interested in what the Board can do for the company*
- *Independent members show interest in independence, involvement, decision making and relationship between the members*
- *The committees play an important role in facilitating the decision making on the Board*

5.8.1.2 ISSUE TWO: Individual (self) perception of effectiveness

It has been reported that the perceptions of the members of the Board effectiveness is crucial for understanding their behavior (Conger et al., 1998; Conger and Lawler, 2002; Pye and Pettigrew, 2005). The data generated indicated the nature of the role each member plays on the Board and how effectiveness is perceived based on the functions expected from individuals on the Board. For example, a Chairperson would view his effectiveness in terms of what he does and what he should be doing. Thus in describing their perception of effectiveness they generally described the ingredients (Conger and Lawler, 2002) of their role (role holder). For example a Chair described his perception of effectiveness as;

“As Chairman of the Board others can say how effective I am. However, as for the CEO I can see that he is very effective and instrumental in our operations.

Both plays an important role, therefore the combination of both is required as a good practice in any organization.

I provide adequate support and guidance and ensure we are working as a responsible team to achieve the best results for our stakeholders. All members have to feel that they are on the Board to add value, therefore, I encourage the contribution of all of them and ensure that the time given in the meeting is utilized to bring up the expected outcome.” (Interview No. 10).

Another Chair person directly described what he does;

“In my role I ensure:

- The correct subjects are raised at Board meetings.
- The Board discusses items on the agenda.
- The Board delivers decisions

- The engagement of all Board members.” (Interview No. 6)

A Chairman provided what he thought to be the main responsibilities of a Chair;

“I believe that a significant part of the Chairman role is to develop the Board’s capability and support management.” (Interview No. 1)

A similar pattern was also observed amongst other groupings (members). For example, a chief executive explained;

“I believe that the CEO role should take a big responsibility for Board effectiveness. Particularly in making the Board prepared, well informed, and structuring thoughtful and professional meetings.” (Interview No. 2)

The CEO from the Bank also offered similar duties and activities;

“My role as CEO is to leverage the Board in execution and to provide support to the Board through information and careful preparation of the agenda. These activities are essential for an effective Board meeting.” (Interview No. 7)

Sometimes the account provided is more detailed. For example, a CEO commented;

“My role is suggesting new ideas and practices for improvement of the overall conduct of the Bank; Presenting the performance report of the company in a very transparent manner; Listening carefully to the Board’s views and direction;

Contributing to the discussions whenever it is appropriate, and translating their decision into actions.“ (Interview No. 15).

Like Chairpersons and CEOs other Board members including NEDs described what they normally do and in a way explained what their contribution is towards the Board effectiveness. For example a Board member asserted;

“I try to point the Board towards seeing details and thereby push management to be more effective in running the firm.” (Interview No. 3)

Usually the Board members referred to their expertise and or experience that would be a measure of their effectiveness. For example,

“I make sure that I attend the meetings and provide enough time to the Board. I also utilize my financial expertise to review all financial proposals and issues, and provide my ideas, recommendations, and sometimes scenarios that might help the management and Board.” (Interview No. 5).

Another member explains the importance of the expertise which he brings to the discussion and debates on the Board.

“I feel my strongest contributions are in the fields of financial budgeting and accounting. I enjoy helping the firm in these areas.

- Compliance and internal controls
- Human Resources and Emiratisation

- Challenging short and long term strategies of the firm
- Ensuring the corporate governance rules are respected at all times
- Monitoring the performance of the bank and identifying areas of improvement.”

(Interview No. 13)

As explained earlier the members' experience counts for a great deal and it is something that others are aware of and respect because it adds another perspective, maybe from another organization or other Boards, or even from the private sector.

“In my role I ensure:

- I provide the Board with wealth of knowledge and experience of more than 15 years.
- I offer my network within UAE or abroad.
- I give my time to the executive committee that handles more difficult subjects on behalf of the Board.” (Interview No. 9)

It was discovered that when it comes to describing their effectiveness, Chairs and CEOs seem to see their effectiveness as being interrelated. In other words, as one Chair explained, “The effectiveness of one is largely influenced and even determined by the other ... oh yes.”

(Interview No. 14)

A Board member made the following observation about the ‘partnership’ between the Chair and CEO on the Board.

“Both are effective. The CEO has always been capable and a strong leader, and both the CEO and Chairman have a good degree of harmony.” (Interview No. 5)

Whilst it was evident that the roles of the Chair and CEO are complementary in nature and indeed necessary for effectiveness of both on the Board, the roles of other members especially the NEDs seem to be a monitoring and evaluating ones. Thus their effectiveness was described in terms how well they carried out their roles on the Board. For example, as one mentioned;

“I see my effectiveness in what I do best;

- Focusing on issues to be discussed
- Drawing attention to issues at hand – to hone in on these
- Bringing up issues of priority
- Providing opinions and solutions.” (Interview No. 16)

Another ED explained;

“Yes, EDs and NEDs both complement each other. However, NEDs usually have more experience and time available to assist management. They also provide wider networks and bring professionalism to the table.” (Interview No. 5).

It was interesting to see that CEOs felt that NEDs play an important part and that their effectiveness makes a significant contribution to their effectiveness and the effectiveness of the Board as the whole. A CEO explains;

“ We rely on the EDs and NEDs to keep an eye on the ball ... make sure everything goes according to plan. They bring in expertise and they can act as the eyes and ears of the Board... They help the CEO to see things better...” (Interview No. 11).

Overall, whilst it was difficult to ascertain what was exactly meant by ‘effectiveness’ on the part of the different members, it was generally understood that Board members contribution is crucial for the overall effectiveness of the Board (Aguilera, 2005; Petrovic, 2008; O’Higgins, 2009).

ISSUE 2: Findings

- *Board members described their responsibilities and dues in their roles as a requirement for effectiveness*
- *No member described himself or others as ineffective. In contrast, most members described others as effective*
- *It was generally understood that others should view their effectiveness rather than making statements about themselves*
- *Chair and CEO’s roles formed a ‘partnership’ and were ‘complementary’ when it came to their effectiveness*
- *EDs and NEDs saw their role and effectiveness as being able to monitor the progress of the Board and contribute in their area of specialization*
- *The role and effectiveness of the EDs and NEDs were appreciated by other members especially the CEOs*

5.8.1.3 ISSUE THREE: Reward and Motivation

There is no doubt that rewards are crucial for the senior management motivation (Park and Ungson, 1997; Quick, 1997; Katzell and Thompson, 1990; Kakabadse et al., 2000). Literature points to the commitment of the members and how important it is to have motivated members on the Board.

The participants generally agreed that motivation and rewards for the members has an effect on the overall effectiveness of the members and the Board as the whole. Members need incentives to 'provide their best'.

"The Board members need such kind of incentives to encourage them to provide their best to the Board." (Interview No. 10)

However, there were different views concerning what kind of reward motivates the members and who should receive what kind of incentive for their performance on the Board especially where the Board manages high profile projects.

"Yes, the rewards and motivation of Board members are very important. This is especially true for this Board as it is managing a project of not less than \$1 billion, and this requires considerable time and concentration from Board members. Hence it is important to keep levels of motivation and morale high in the interests of the company as it expects their full dedication and their quality contribution to its business." (Interview No. 5)

It is clear that participants feel that maintaining high morale and dedication on the part of the members is important and adequate reward and motivation should be provided for the members. Interestingly, the recognition is often associated with monetary reward.

“Yes, human nature needs recognition of all kinds, whether financial or moral/psychological. Therefore, it is important to reward Board members financially and morally, since they have many other responsibilities, and therefore need to be rewarded in order to devote their time and provide assistance so they feel their contributions are appreciated and that they add value to the business.” (Interview No. 13).

An interesting view which emerged from a number of interviews was that participants felt that financial reward should be provided based on the role that the members play on the Board. Basically, it was ascertained that those who are executive directors should be rewarded more and maybe with a salary, and the NEDs should be given a fee. Indeed, it is not unusual to see NEDs being rewarded by ‘fee per session’ rather than a financial arrangement on a permanent basis (Kakabadse et al., 2000). As a CEO asserted,

“No doubt, the reward and motivation is the engine for any success. In the Board case, members need recognition for their time, contribution and dedication. Non-Executive Board members should receive a Board fee relative to the market and size of the business. Executive Directors (if any) should receive a salary and bonus. Executive Director’s compensation should be aligned with the economic performance of the business which would include a substantial amount of variable pay to make them effective. Non-Executive Directors, given their supervisory and part-time role, should

receive a fee only, and should not be incentives with a variable bonus.” (Interview No. 11).

There were also examples of participants who agreed with the provision of reward, specifically salaries or fees of some sort, but tended to qualify their response.

“Yes, as long as they are responsible and they put their time and effort into the firm.” (Interview No. 3).

The participant further explained;

“Not everyone pulls his weight and shows commitment. I have nothing against holding membership of several Boards but one need to dedicate time, effort and show responsibility... not all do.” (Interview No. 3).

A Chair approved the provision of rewards and implied the responsibility of the members for continual self development hence improving contribution to Board.

“Yes, for the responsibilities they take and contribution they make plus they go on a self-learning/development process to continue improving their contribution to the Board.” (Interview No. 14)

Other participants felt that financial reward should come secondary to the ‘cause’. As one explained;

“As a non-profit organization, monetary reward should be secondary. The social perspective is most important.” (Interview No. 7)

Besides ‘recognition’ the feeling of ‘achievement’ and being associated with ‘a high performing Board’ were also suggested as rewards in their own right;

“I think success and achievement being ‘felt’ in a shared outcome is the greatest gift for Board members. Most NEDs want to be on high performing business Boards.”
(Interview No. 2)

A Chairperson also commented that ‘achievement’ is more important than anything else.

“This varies from case to case, although achievement is more important than anything else”. (Interview No. 6)

However, the general agreement was that although rewards and motivation are essential for effective operation of the members and the Board the nature of the rewards provided should be different according to different cases. These include the nature of the organization work (for example NGOs), position on the Board, and importance of the issues managed by the Board (Tyson and Bournois, 2005; Analoui, et al., 2011).

ISSUE 3: Findings

- *Rewards and motivation are essential for ensuring the effectiveness of the Board members*
- *The size of the monetary reward and incentive should be decided by the nature of the operations involved. The higher the risk the higher the monetary reward*
- *'Achievement', 'being associated with high performing Boards', and 'discharging social responsibilities' were amongst the non-monetary motivation for the Board members*
- *The monetary reward should be provided to permanent members (executives) in the form of a 'salary', however, NEDs should be rewarded by 'fee'*
- *Membership of the Board provides social status which acts as a motivator for effective performance*

To sum up, the accounts provided by the participants validated the issues discussed in the literature. Understanding members' effectiveness requires learning about their behavior on the Board. Moreover, the effectiveness of the members was largely determined by their roles. Members in roles such as CEO felt that they contributed more to the Board through their effectiveness, and acknowledged the role of executives and NEDs and their expert contribution to the Board (Conger et al., 1998; Conger and Lawler, 2002; Pye and Pettigrew, 2005). It was evident that rewards and motivation is seen differently by different participants. However, there seemed to be an agreement that rewards (monetary) and motivation (achievements, being associated with high performing Boards, social status and responsibilities) are crucial for senior management effectiveness (Park and Ungson, 1997; Tyson and Bournois, 2005; Analoui, et al., 2011).

5.9: THEME SIX: MEMBERS PERCEPTION OF CONTRIBUTION TO BOARD EFFECTIVENESS

The sixth category of themes which emerged from thematic analysis of the data is concerned with contributions of the Board members to Board effectiveness (See Table 5.11). This led to the identification of two main sub-categories. These are;

- Required/ Acquired Capabilities
- Acquired core capabilities

Is there any on-going training opportunity for acquisition of relevant skills and knowledge for Board members? If not what kind of training would you envisage?

Relates to the need for training and development of the Board members for improved effectiveness

Training and development (Kakabadse and Myers, 1996; Kakabadse et al, 2000; Analoui, 2007) are crucial for senior managers.

These identified themes related to the answers provided by the participants to two main questions; first concerning the availability of any on-going training opportunity for acquisition of relevant skills and knowledge for Board members? And their views on the kind of training required? Thus, the identified themes in the first sub category highlighted the perception of the participants in relation to their required and acquired core capabilities necessary for personal and Board effectiveness. Capabilities including training and development are crucial for senior managers (Kakabadse and Myers, 1996; Kakabadse et al, 2000; Analoui, 2007). It has been recognized that Board members' core capabilities have an

important influence on their overall effectiveness on the Board (Conger and Lawler, 2002; Pye and Pettigrew, 2005).

The second sub category of the theme 'Core capabilities' was identified based on the question asked; In your opinion, what 'core capabilities' do you, as a Board member, require to be effective in your roles? The response to this question led to the generation of ample data on what core capabilities Board members thought to be important for their effective operation on the Board. It is reported that Core Capabilities are essential for Board effectiveness abilities required for Board effectiveness (Coulson and Thomas, 1991; Forbe and Milliken, 1999 Boulkden et al., 2003). Another aspect related to core capabilities was to establish whether or not the Board members had already acquired core capabilities suitable to the needs of their Board effectiveness. The second identified sub-theme also related to this category of data (Cascio, 2004; Nadler, 2004).

Table 5.11: Emerged Categories and Sub-categories of 'Core Capabilities'

No.	MAIN CATEGORIES	SUB-CATEGORIES
6	CORE CAPABILITES	<p>Required Capabilities</p> <ul style="list-style-type: none"> • Required core capabilities to function effectively on Board • Available opportunities for 'Induction' Training. • Available opportunities for 'on -going' T &D <p>Acquired Core Capabilities</p>

Source: Data Analysis

5.9.1: Emergent Issues

Further thematic analysis of the data within the first sub-category namely; 'Required Capabilities' did result in the emergence of strong issues. These are;

- Required core capabilities to function effectively on Board
- Available opportunities for 'Induction' Training.
- Available opportunities for 'on-going' T &D

The second sub category did not lead to the emergence of well-defined issues therefore the whole sub-category namely 'Acquire Core Capabilities' has been treated an issue in its own right.

The above emergent themes have direct relevance for the achievement of the objectives of the present study. Indeed, the core capability theme is identified as one the main aspects of effectiveness in modern BSBs (Kakabadse et al, 2000; Analoui, 2007).

5.9.1.1 ISSUE ONE: Required core capabilities to function effectively on Board

The analysis of the views and perceptions of the Board members indicated a wide range of opinions. These ranged from general to more specific including a recommended set of knowledge, experience and expertise to specific set of skills that they felt would contribute to the effectiveness of the members on the Board.

Some of the general views related to the attitude, approach, energy and experience. For example, a Chairperson suggested;

“Clear thought, objectivity, commercial appreciation, integrity, positive energy and experience.” (Interview No. 1).

Or, as another Chair asserted;

“Suitable qualifications and relevant experience.” (Interview No. 5).

Some views seem to relate to the personality and outlook of the Board members and suffered from an air of generality. A CEO commented;

“In my view, the required capabilities are as follows; suitably knowledgeable in the business field; strong commercial awareness; ability to handle ambiguity and high levels of complexity; the ability to have clear thought; the ability to be able to ‘provide meaning’.” (Interview No. 3)

When he was asked to expand on the comment ‘provide meaning’, he went on to say;

“I mean being able to explain. Sometime colleagues make an assumption that we know what they mean... but we don’t... the problem is that some members think being ambiguous is good and even see it as being sophisticated... we need coherence and complexity.” (Interview No. 3).

It was clear that some members were aware of the contemporary issues in leadership and Board dynamics and management. This also suggested that different role requires different sets of skills. For example,

“What we need is ‘Empowerment’, especially from the Chair. He needs to prepare the ground for effective engagement with relevant stakeholders both internal and external.” (Interview No. 7)

Another example of a general description of required capabilities was;

“I must understand (counting the issues with is his figures):

- the industry, competitiveness and environment
- the company’s capabilities and weaknesses
- stakeholder objectives
- economics – regional and international. It is clear isn’t it? (seeking approval).”

(Interview No. 16)

The specific category tends to name the skills and competencies participants felt necessary for increased effectiveness of the Board. For example;

“Experience; interest in the future of the firm; responsible for their actions (i.e. accountable); knowledge of the total spectrum (i.e. finance, projects, legal, HR.”
(Interview No. 3).

More specifically, it was mentioned that;

“Communication and strategic awareness are very important capabilities to effectively perform in the role. This is in addition to the practical experience of the Board member.” (Interview No. 8).

Technical knowledge and skills, and knowledge of the industry were also emphasized.

“Board members must be very competent and have the required experience. In addition, they must have the technical skills and knowledge necessary for this specialized industry to be able to perform as responsible Board members in relation to any decision-making.” (Interview No. 5)

A Board member outlined the range of skills and competencies required;

“Board members need to have a good understanding of the business. They need to have leadership skills, good communication skills, and a proper knowledge of finance, the economy, business environment and Board dynamics. Let me tell you... (counting the issues with his fingers, a cultural habit used for emphasis)... we need;

- Managerial.
- Team work
- Financial
- Business
- PR, and social skills... yeah.” (Interview No. 14)

It was evident that the range of skills and competencies recommended evolved around enabling managerial and leadership competencies.

“The following capabilities are particularly important:

- The knowledge and experience of the business and the related risks.

- The communication with others and an ability to build the relationship at different levels.
- Managing conflicts
- The ability of seeing the big picture.

Dealing with the stakeholders and managing their expectations.” (Interview No. 10)

Interestingly, the participants were aware that in addition to a specific set of knowledge and skills necessary for performing on PSBs, it was also necessary to;

“...acquiring the skills and knowledge of the business; providing sufficient time and energy for the Board meetings; enjoying political and emotional intelligence, and more importantly... understanding the role of the Board and the management carefully.” (Interview No. 9)

Another example is;

“A clear understanding of the role of a Director and a good understanding of the business.” (Interview No. 11).

On the whole, Board members showed awareness of the kind of experience, knowledge, skills and competencies required for improved performance and effectiveness on the Board (Kakabadse et al, 2000; Cascio, 2004; Nadler, 2004).

ISSUE 1: Findings

- *Board members were aware of the required core capabilities to function effectively on the Board.*
- *The list of required competencies included general and specific knowledge, skills and competencies required for improved effectiveness of the members on the Board.*
- *Participants often mixed the required capabilities with competencies*
- *The specific skills, knowledge and competencies encompassed managerial and leadership as well as capabilities required for performing on the Board.*
- *There also seem to be a suggestion that different roles require different sets of capabilities*

5.9.1.2 Available opportunities for induction training

The accounts provided by the participants to the question regarding availability of the induction program for the Board members were particularly interesting.

The participants reported that essentially there is no comprehensive induction training available to the Board members.

“I believe there is an opportunity to improve by providing a comprehensive induction program.” (Interview No. 1).

Another member explained;

“Nothing except an overall introduction to the firm’s activities.” (Interview No. 4).

This comment suggested that there is some form of induction 'materials' available to the participants. A Chair commented;

"We provide newcomers with the organizational background." (Interview No. 5).

Another Board member explained that new members especially NEDs are provided with some information about the organization.

"There is no such induction training provided. However, if new Board members are from outside of the industry, then induction training would be necessary to enable them to acquire knowledge of the industry." (Interview No. 15).

Another member commented;

"There was a general orientation. However, in my opinion, there should be a more structured induction program for new members before joining as this would be beneficial to both the individual Board member and the Board." (Interview No. 13).

Further analysis transpired that the information provided about the organization and is provided only to the new members. However, it was evident that all members felt that the 'it is a good idea' and 'it should be provided'. A Chairperson commented that induction training is required for the members to become fully aware of their role and responsibilities on the Board;

“No, we need training to help members to be more effective in their role. Such training will develop their knowledge about their role in a short time.” (Interview No. 14).

A Chair person placed emphasis on the need for having ‘more effective Board meeting’.

“There is no induction training before joining the Board’ However, there is a need for one, such a program would provide a good start to the members who will have an opportunity to learn about the organization and it’s business and how it operates, so they can be ready to participate in more effective way to the Board meeting.” (Interview No. 10)

“There should be. It is important so that they will better know what is expected of them as Board members. Also, through training they will better understand their role, the extent of their accountability, and better understand the business.” (Interview No. 16).

The need for familiarity with the ‘operating model’ and to help ‘the Board and members’ was also strongly aired.

“There is no such program. They should introduce one in order to highlight the operating model.” (Interview No. 6); and

“There is no training available. However, I strongly encourage induction training to help both the Board and the members.” (Interview No. 7).

It was evident that the members were aware of the need for induction training especially focusing on the committee roles as well as the knowledge and skills required for participation and 'full engagement'.

"Yes, there should be training, especially training focused on the role of the Board Committees. But as you know there is no induction training provided to Board members. However, I would highly recommend induction training because it would help to ensure that new members are adequately equipped with the knowledge and background of the company necessary to facilitate their effective participation, and to ensure their full engagement in discussions and meetings at a later stage." (Interview No. 5).

All participants overwhelmingly agreed that induction training should be provided some went on to suggest specific knowledge and skills which the induction program should include. A member explained;

"Let me explain; the induction training should include; understanding the role of the Board and the management carefully; acquiring the skills and knowledge of the business; providing sufficient time and energy for the Board meetings; and enjoying political and emotional intelligence." (Interview No. 9)

Another member suggested the inclusion of the following topics in an induction training program for the Board members.

"No. However, such programs are needed, and the topics that should be covered in workshops are as follows:

- Private sector: engagement and partnerships
- Corporate governance: principles and practices
- Responsibilities of Board members.” (Interview No. 8)

On the whole, there seems to be an overall agreement for having ‘induction programs.’ This view has also been emphasized by Kakabadse et al, 2000; Das, 2001 and Analoui, 2007.

ISSUE 2: Findings

- *There is no formal induction training for the Board members in PSBs*
- *Some organizations provide the new members for example, NEDs with some basic information about the organization*
- *There is an overwhelming agreement that there ought to be an induction training program for the Board members*
- *There is a belief that induction training would help both members and the Board to work/operate more effectively*

5.9.1.3 ISSUE THREE: Available opportunities for ‘on-going’ T & D

Despite the importance of the training and development and its relationship with the members and Board effectiveness (Kakabadse and Myers, 1996), participants reported that there is very little opportunity for ongoing training and development available for them.

A Board member shrugged his shoulders and said “Nothing I am aware of.” (Interview No.3).

Another participant commented,

“There is nothing on the ground. We lack such a program, but it should be looked at.”

(Interview No. 5).

Participants' views and comments also revealed that participants are aware of the need for on going training. For example, a Chairperson commented;

“Not currently but again there is an opportunity to improve here by considering sector specific knowledge development.” (Interview No. 1).

Another Chairperson commented there is capacity for provision of some training.

“There is no existing on-going training. However, we can provide training in certain areas, such as corporate governance and Board effectiveness.” (Interview No. 6)

Another member indirectly referred to the induction training and said;

“The Funds [organization] doesn't have any such training and I support we have one because it helps in providing the member with smooth transition period.” (Interview No. 8).

The Chairperson explained that there is a need for on going training and not the ad hoc type offered from 'time to time'.

“From time to time, on an ad hoc basis, there is an offer given to Board members to join a training program. However, there is no system in place to provide such an

opportunity. Therefore it would be appropriate to provide an ongoing training program that covers areas of: corporate governance; compliance and internal controls; finance for non-financial people; banking for non-bankers; and overall training about business and Board related issues.” (Interview No. 14)

Some participants when acknowledging the lack of on going training provided a list of topics that they felt would be desirable for this purpose. For example;

“Yes, there should be ongoing training opportunities that can help in meeting the special needs of the Board members, especially in the following topics:

- Corporate governance
- Managing conflicts
- Project management
- Audit and control
- Strategy development.” (Interview No. 16)

It was interesting to see that there were similarities in the list of topics that participants recommended.

“I believe we need to have...

- Strategic planning/scenario planning.
- Risk management.
- Corporate governance.
- Board members responsibilities and role
- Legal and audit.” (Interview No. 12)

Issues such as 'corporate governance', 'strategic planning', and 'business management' seemed to have been identified as the most essential topics for on going training.

"We need a systematic approach to our on going training. I feel we all could benefit from a decent program of training that helps us with real issues we deal with on the Board, like...

- Strategic Management
- Economics
- Business Management
- Finance
- Organizational performance and leadership." (Interview No. 4).

As was reported earlier, the Chairpersons and CEOs seemed to be more concerned with the ability of the members to function effectively on the Board. As a Chair mentioned;

"No. however, such programs are needed, and the topics that should be covered in workshops are as follows:

1. Private sector: engagement and partnerships
2. Corporate governance: principles and practices
3. Responsibilities of Board members.

At the end of the day, it is of no use to us, if our colleagues are knowledgeable but can't function on the Board. This is essential for the organization and the sector as the whole." (Interview No. 10)

However, there was some skepticism about availability of the members for on going training.

“No we don’t and yes we need it, but it must also be recognized that Board members should make themselves available to spend time in the business on a regular basis to understand the issues confronting it. Topics will vary depending on the industry.”

(Interview No. 13)

On the whole, the participants seem to be supportive of the idea of have on going training and development and there seems to be a consensus on this issue. Also, there seemed to be dissimilarities between the topics they recommended. This was clearly due to the differences in the nature organization.

ISSUE 3: Findings

- *Little or no ongoing training and development seemed to be available to the Board members*
- *Participants felt that ad hoc training provided is not useful for increasing their effectiveness on PSBs*
- *Most participants seem to have concrete ideas of what ought to be included in a typical on going training program*
- *Amongst the topics recommended ‘Strategic Planning’, ‘Corporate Governance’, ‘Business Management’, and ‘Board members roles and responsibility’ received more attention.*

5.9.1.4 ISSUE FOUR: Acquired Core Capabilities

As expected very few participants reported having had major training experiences. Those who claimed to have had training of some sort often referred to training in general rather than training with the aim to prepare them for their role on the Board. For example, a CEO commented;

“No, I have not received any other specific training. However, it is useful to provide this type of training. As far as I am concerned, I received training as part of my career program to be an executive.” (Interview No. 15).

A director added;

“Yes, in management, leadership and business development.” (Interview No. 4)

And, another example was a member who commented;

“Yes, I have been involved in several training programs elsewhere that cover several subjects. On other Boards most training has cover their businesses and financial matters.” (Interview No. 13).

There was also mention of the Institute of Directors that provides some sort of training for the members.

“Yes, as a fellow of the Institute of Directors in the UK, and as a Director of several companies for many years.” (Interview No. 11)

Another participant also commented; "I am a Fellow of the IoD." (Interview No. 2).

Interestingly, some participants referred to self training and previous exposure to other Boards as the only relevant training for performing their roles on the PSBs.

"I received training after I joined the Board. However, I did not find this role a surprise as I was interested in reading and learning about the function of Boards, and best practices associated with Boards in general. We also learn as we go." (Interview No. 5).

A Chairperson commented;

"No, we learned our role by practice and experience, some training at a later stage was received on an ad hoc basis." (Interview No. 10)

Another Chairperson referred to his experience of the training as 'self-training'.

"Self-training only, through reading and experience from different parts of the world. I have built my knowledge." (Interview No. 6)

The above views were interesting and somewhat surprising for the researcher since it was refreshing to see that the senior participants are happy to admit that they have not received any training relevant to their roles on the Board. As a member said;

“No, other than through exposure to other Boardsonly through experience.”

(Interview No. 16)

However, the consensus seemed to be that there is a need for on going training which is relevant to the roles and responsibilities of the Boards.

“Actually, no prior training was prepared. I would strongly recommend this kind of training be provided as it would be very beneficial for the Board.” (Interview No. 8).

On the whole, participants candidly reported that they have not acquired any on going training prior to undertaking their roles on the Boards of the PSBs organizations. However, they wished they had.

ISSUE 4: Findings

- *No or little training which is directly relevant to their roles and responsibilities had been acquired prior to their appointment on the PSBs Boards*
- *Most participants have received some form of general management training before their appointments*
- *Most participants reported their experience from and prior exposure to other Boards as the main source of relevant knowledge, skills and competencies relevant to their present roles and responsibilities*
- *There was an overwhelming consensus that training should be provided for the members*

To sum up, accounts provided by the participants confirmed the views in the literature that training and development are essential for the effective functioning of the senior managers (Kakabadse and Myers, 1996). Unfortunately, there seems to be little opportunity available for the Board members to acquire relevant training and development. The lack of opportunity available and the absence of proper training which prepares the members for their roles on the Board suggest that there is a need and necessity for provision of relevant knowledge, skills and capabilities as the whole (Kakabadse et al, 2000; Analoui, 2007).

5.10: THEME SEVEN: EXTERNAL INFLUENCES ON THE BOARD

The seventh main category of themes which emerged from thematic analysis of the data is concerned with the influences of the external factors on the Boards (See Table 5.12). Further analysis led to identification two or three sub-categories. These are;

- Socio-cultural factors (attributes) of the Board
- Awareness of the Global Economics
- Sector role and function

Whilst previous themes explored the factors and influences from the individuals and their perception and capabilities, as well as the functions and processes of the Board, the final main categories of theme seven which emerged from the data are concerned with the impact of the external influences such as language used, religious values and beliefs, rituals, awareness of the global economic and the PS itself. Board effectiveness can not only be attributed to the internal factors, indeed cultural influences play an important part in determining the degree of effectiveness of the Boards (Hofstead, 1980; Chattopadhyay et al., 1999; Yousef, 2001; Same, 2009).

These identified themes emerged from the answers provided to questions; Do you conduct the Board business in English or in Arabic? How do Islamic values and beliefs affect your performance/effectiveness on the Board? Do traditions and rituals affect the Board performance/effectiveness? Has the global economic decline affected the behavior of the members on the Board? How important are the PSBs effectiveness for the overall social-economic development of Abu Dhabi?

Table 5.12: Emerged Categories and Sub-categories of External Influences (Factors)

No.	MAIN CATEGORIES	SUB-CATEGORIES
7	EXTERNAL INFLUENCES ON THE BOARD	<p>Socio-cultural factors (attributes) of the Board</p> <ul style="list-style-type: none"> • Language of the Board • Islamic values • Ritual and tradition <p>Awareness of Global Economics</p> <ul style="list-style-type: none"> • Global Economics

Source: Data Analysis

5.10.1: EMERGENT ISSUES

Further thematic analysis of the data within first sub category namely; 'Socio-cultural factors (attributes) of the Board' did result in the emergence of three important issues. These are;

- Language of the Board
- Islamic values
- Ritual and tradition

The second sub theme identified the emergence of one major issue;

- Global economy

The above emergent themes, sub themes and issues have direct relevance for the achievement of the objectives of the present study. Indeed, one the objectives of the present study is to contextualize the Board effectiveness in the public sector within Abu Dhabi. Recently, the influence of the cultural and external factors influences on the functions and its effectiveness has been taken seriously by researchers and writers in the field. (Sameh, 2009; Johnson et al., 2008; Analoui, 2007; *Yousef, 2001*; Kakabadse and Kakabadse, 1999).

5.10.1.1 ISSUE ONE: Language of the Board

Language is an important ingredient of the culture (Silverman, 2005; Hofstead, 1980). It has the potential for symbolic interaction and conveys the social meaning used for making sense of the social and organizational reality experienced (Analoui, 2002).

The researcher observed that the language used in PSBs is primarily English. However, the Arabic language is also used for discussions and debates.

As a Chairperson explained,

“All documents are produced in English and the meeting is quite often in both English and Arabic to good effect.” (Interview No. 1).

This was also confirmed by another Board member who commented,

“Most Directors and Board members are familiar with the English language. Abu Dhabi is located in internationally financially operated regions. It is expected from the members to be familiar with the English language. ... Besides, we all mostly educated

abroad and English language has been become our second language. Most of our business is conducted in English, with Arabic available. However, most discussions are done in English.” (Interview No. 5).

The materials are prepared in both languages;

“In both languages, although mostly in Arabic for discussions. Material is provided in both English and Arabic.” (Interview No. 6).

It was reported that most business transactions are formally carried out in English.

Participants saw the Board phenomenon as a business forum hence the use of English language was treated as a ‘tool’ for the purpose of ‘communication’.

“Internationally all Boards used English for their transactions. We deal with foreign companies and their use English language. It is the language of business. We treat it as a tool for our communication.” (Interview No. 11)

The transition from English to Arabic or the other way round is often carried out where emphasis, understanding and coherence are required.

A member explained;

“... It is mostly in English, and sometimes in Arabic... Having said that as you are aware it is sometimes necessary to switch from one language to another to explain a

term or provided better understanding of an issue...the Arabic language is our mother tongue... it makes better sense..." (Interview No. 16)

A distinction is often made between 'side conversation' and the 'main discussion'.

"We do have side conversations and yes, we use Arabic. But during the meeting English is the spoken language." (Interview No. 13)

The members were aware of the cultural issues and connotations of using a different language on the Board. As One member explained;

"Yeah we are internationalized... the Western emphasis of our business side of the life is undeniable. Still we conduct our meeting the way we think is most beneficial to the Board and its objectives. .. Switching from English to Arabic is not so unusual. We sometimes do this without knowing it." (Interview No. 8).

On the whole, the language formed neither a constraint nor a barrier. Board members used English and Arabic as 'tools' or a 'means of communication'." (Interview No. 11).'

ISSUE 1: Findings

- *Materials and documentations are prepared in both English and Arabic*
- *Both languages were spoken on the Board*
- *Arabic language is sometime used as an additional tool for assertion, clarification, creating coherence and emphasis*
- *English language is recognized as the 'business' language of the Boards*

5.10.1.2 ISSUE 2: Islamic values

Undoubtedly Islamic values and beliefs have formed the very foundation of the members conduct, relationships and the working practices. In Abu Dhabi Islamic values provide the corner stone for the social and business interactions (Abuznaid, 2006; Sameh, 2011).

Participants felt that Islamic values and codes of conduct are 'very important'. For example,

"Very important [with great emphasis]. It is the basis of our daily behavior, so hopefully it is reflected in the Board." (Interview No. 3).

The participants reported that Islamic values and ethics formed the standard for the 'running of their firm'." (Interview No. 11).

"...directly not relevant for me, but I am committed to running the firm with high ethical standards consistent with my understanding of Islamic tradition." (Interview No. 11).

It was revealed that Islamic values have permeated into the participants' life and business alike.

"Very much as they are great values and fit in with my life conduct, whether it is business or social. These values cover such principles as honesty, ethics, transparency, devotion, etc. Islamic values encourage transparency, believing in the

task you perform, and dedication towards achieving the best outcome from any assignment. In addition to this, it fosters trust and confidence amongst each other.”

(Interview No. 15)

Islamic values of transparency, devotion and honesty were particularly emphasized. As a member explained;

“Honesty, integrity and high moral conduct helps me be an effective Board member. Such values are easy to implement as they are shared between all religions and cultures.” (Interview No. 4).

It was generally felt that they can help to create ‘understanding and patience’ especially when dealing with conflict.

“Yes, they are important when dealing with each other (respect), and when providing opinions (honesty). They are also important when dealing with conflicts (understanding and patience). At prayer time we walk together and come back with a better spirit to complete the meeting.” (Interview No. 16)

It is evident that Islamic values determine both the interaction with others on the Board and the outcome expected.

“These values improve the relationships between the Board members and management, and encourage simplicity and openness.” (Interview No. 5).

A participant commented that Islamic values and principles should be taken into consideration when;

“Dealing with each other with respect; be dedicated to our jobs and firm; ensure full adherence to the Company laws and regulations; keeping the interest of the shareholder on the top of our agenda.” (Interview No. 9).

Another participant explained how “they respect our Islamic values when dealing with:

- Conflict of interest situations
- Taking our roles with highest degree of honesty and integrity
- Acting on behalf of the stakeholders with utmost care and honesty.” (Interview No. 10)

A CEO explained that values such as transparency and managing time effectively reflect the Islamic values and they are used in ‘our organizations’.

“Of course, they are; in our organization we ensure that we:

- have a code of conduct and ethics
- transparency
- an open door policy, and
- manage time effectively during working hours.

These principles have been introduced as part of international best practice, as well as to reflect the values that our Islamic religion calls for.” (Interview No. 7).

It was also specifically mentioned that Islamic values are believed to enhance the effectiveness of the Board. A Chairperson said;

“I believe they only enhance effectiveness as it promotes self-discipline and respect for different opinions.” (Interview No. 1).

One participant clearly made a distinction between his Board and an ‘all European Board’.

“They make for a richer experience. If this was an all-European Board it would have far less interest for me.” (Interview No. 2).

When he was pressed to explain what he means by ‘all European Board’. He said;

“.. you know what I mean... we are Moslem and we are expected to deal with issues and people with honesty and fairness... we are here to protect people’s right and not just be interested in our interest ... we are in position of trust and that means a lot in Islam. We ought to be diligent and work with integrity on the basis of trust.”
(Interview No. 2)

The researcher discovered that undoubtedly Islamic values have effects on the behavior and performance of the Board members.

The accounts provided by the participant showed how important that Islamic values and way of life are for the participants, and how they affect their relationship with others as well as their performance and effectiveness at work.

ISSUE 2: Findings

- *Islamic values, beliefs and way of life constitutes the most important single external influence on the members behavior on the Board*
- *Islamic values are adopted in daily life as well as Board interactions and activities*
- *Islamic values fosters trust, honesty, integrity and hard work*
- *Islamic life values and code of ethics determines the foundation of members' behavior in particular and the Board performance and effectiveness as the whole*

5.10.1.3 ISSUE THREE: Ritual and tradition

Rituals and tradition cannot be separated from the dominant cultural values (*Chattopadhyay et al., 1999*). As shown earlier religious values in particular the Islamic values and principles have formed the very fabric of the social and cultural activities and traditions (*Yousef, 2001; Sameh, 2009*).

When participants were asked; do traditions and rituals affect the Board performance/ effectiveness? One Board member asserted:

“Not to my knowledge. We are professionals and we deal with any given situation according to our roles and responsibilities...” (Interview No. 1)

A CEO from the same company also aired the same opinion;

“Not at all! The control and personal discipline are very valuable. Status dynamics are the only factor that can reduce effectiveness.....I mean it should be avoided.”
(Interview No. 2).

It was evident that both participants associated involvement of the personal issues as counterproductive to the Board's effectiveness. Other comments made by the Board members supported this view that from time to time personal views can 'get in the way'.

For example;

"No it does not. However, individual members do bring their personalities to debates... it can get in the way." (Interview No. 13)

The majority of the Board members felt that rituals and tradition can impact on the Board effectiveness 'but not necessarily in a negative way'.

"Yes, our tradition/ritual way is to deal with people with truthfulness, sincerity; respect and transparency... yes it does [placing stress] but not necessarily in a negative way." (Interview No. 14).

A Chairperson placed emphasis on the values of 'understanding and sharing'.

"Yes, through displaying understanding and sharing... these are important values. Some go back to hundreds of years ago... we feel sharing is important... it can create the understanding that sometimes badly needed." (Interview No. 6).

Another member echoed similar views;

“Board members work as a family. We therefore feel that we are responsible for any decisions and this encourages unity amongst us. This reflects tribal values and roots.”
(Interview No. 3).

It was evident that traditional influences for example, the tribal values and beliefs still play an important part in unifying the Board members. For example;

“As the social traditions are influenced by Islamic values, I can say yes because they are, in a way, they are inspirable.... Islam is our way of life and cannot be separated from our daily rituals and tradition... these values and rituals unify us... bring us together.” (Interview No. 9)

Some of the important issues raised by the participants were the presence and influence of the traditional values such as ‘respect for elders’ and ‘allowing time for praying and fasting’. For example;

“I can see that respect of the views of others is important, and especially respect of elder members of the Board.” (Interview No. 8).

Another director supported the above view and indirectly revealed what was discussed in earlier sections of this chapter that Chairpersons are often listened to partly because they are often elder and senior to others.

“Yes, they include respect for elder members, and giving special attention to the Chairman of the Board being master. Allowing time for fasting, praying, and making sure these are respected during meetings, is also important.” (Interview No. 13)

Another participant clearly showed how traditional and Islamic values contribute to the cohesiveness of the group.

“ As I said before the respect and honesty is the hall mark of the Islamic values in our society. For us praying in the mosque in Jamaa [collectively] is more than a ritual. It is our way of life. We share it with others and this brings us closer and closer together. Yes, feel disagreement but we feel that our shared religious and spiritual values provide the foundation to resolve difficult issues.” (Interview No: 16).

The theme respect came up again, when a Chairperson asserted;

“Yes, we listen to the elder member or the senior member in position to demonstrate our respect to his experience and wisdom. We share each other feelings (happiness or sadness) which in turn improves the spirit of team work.” (Interview No. 10).

Perhaps the most striking issue raised which was largely taken for granted by others was the importance of communicating as a social and cultural value. The researcher has experienced this issue first hand that often the descriptive nature of the way participants interact with one another prolongs the duration of the meetings.

“Yes, in particular the amount of time taken up in conversations which are not relevant to the work of the Board. This is a social tradition which is difficult for anyone to change although over time it should (change) given time pressures. In addition, sometimes a light hearted attitude to conflicts of interest causes difficulty and often confidentiality is not respected.” (Interview No. 11)

As Chairperson commented;

“Sometimes we talk too much, ... it is what we do best [laughing] and sometimes it is necessary especially when the Board has to deal with exceptional cases and agree on projects based on their social importance or background...but we could do less... that’s where the Chair comes in and spoils the party [smiling].” (Interview No. 6)

On the whole, the views expressed by the participants supported the contemporary literature that the Board is open to influences from its wider environment (Kakabadse and Kakabadse, 1999; Sameh, 2009)

A member’s view clearly showed this relationship between the tradition and religion.

“As the social traditions are influenced by Islamic values, I can say yes... because they are. In a way they are inseparable..... Islam is our way of life and cannot be separated from our daily rituals and tradition.” (Interview No. 14)

The views of the majority of the participants confirmed the above. It is difficult if not impossible to separate the Islamic values from the very tradition and rituals.

ISSUE 3: Findings

- *Participants are aware of the influences of the tradition, Islamic values and rituals on their behavior, interaction with others and the effectiveness of the Board.*
- *Tradition and rituals have influence on the ways members interact on the Boards of PSBs.*
- *Islamic values and principles and tribal rituals influence the relationship between members and the way Boards operate*
- *Amongst the traditions and social values which affected the Board effectiveness, 'Respect', 'Respect for elders', 'Honesty' and 'Sharing' seemed to be the most influential*
- *Prolonged debates are symptomatic of the traditional needs for communication, creating understanding and resolving conflicts*
- *The social, traditional and cultural influences impacts all aspects of the Board operations*
- *Understanding Board effectiveness or otherwise necessitates understanding the external influences in particular social, religious and traditional in operation*
- *Islamic values are adopted in daily life as well as Board interactions and activities*
- *Islamic values fosters trust, honesty, integrity and hard work*
- *Islamic life values and code of ethics determines the foundation of members' behavior in particular and the Board performance and effectiveness as the whole.*

5.10.1.4 ISSUE FOUR: Global Economics

Undoubtedly globalization has had impact on Board effectiveness, Board members and the Board as the whole (Johnson et al., 2008; Coulson-Thomas, 1991; Pye and Pettigrew, 2005).

Understanding the extent of the external influences (Johnson et al., 1996; Lutter, 2001; Davies, 2002; Hopt and Leyens, 2004) such as global economics on the Directors' perception is crucial for understanding their effectiveness at work (Aguilera, 2005; Tyson and Bournois, 2005). In order to gain a better understanding of the mentioned influences, participants were asked; how aware are the Board members of the global economic conditions?

There was an overwhelming view that the directors are aware of the global economy and its influences on the economy of Abu Dhabi in general and the public sector in particular.

"We are part of the world economy, and awareness of global economic conditions is necessary to conduct business. All members who represent different industries are linked in one way or another to global economic conditions. No, other than it has raised Board members' awareness of good practices and bad practices. As a result, they are more careful in pursuing their business, and take appropriate decisions based on careful analysis and best practice." (Interview No. 8)

A CEO also stressed the directors' awareness of the global economy;

"They are quite aware from their roles in their own organizations.

Current developments provide an opportunity to maintain a close watch on what is going on, and to learn new methods and practices. Yes, by enhancing the corporate governance awareness among the Board members, as well as introducing more processes of internal control." (Interview No. 7)

Some participants indicated that not only are directors aware but more so this has increased the need for being 'cautious' especially in relation to 'investment decisions'.

As a Chairperson commented;

“In the main, our Board is very aware of global economic conditions. I believe all Boards are more cautious given global events and require greater confidence when making investment decisions.” (Interview No. 1).

And, another director emphasized the above issue;

“Well aware. Yes, it did, by making them more cautious.” (Interview No. 4).

It was clear that recent developments in the global economy have had impact on the Board members. For example,

“Collectively, all members are very well aware since we are operating in an open market with special connections to all global economic centers. Yes, as and when needed. There is now more focus on the issues that relate to banking relationships with others. And certain attention is given to any new deal or transaction to ensure protection is given.” (Interview No. 13).

The CEO said;

“Extremely aware and well briefed. The UAE in general is very well educated and mindful of global economic conditions, and I would say, Board members [Port organization] have particularly good insight. They have always been wise in this regard. Making sure we do not ‘rush what needs not be rushed’.” (Interview No. 3)

Interestingly, the Directors saw that as an opportunity for greater awareness on the part of the Boards and Board members;

“All members are aware of the global conditions as the company is working in the international market, it has international ties and relationships, and it deals with an international commodity (i.e. oil). We found this situation has provided an opportunity, and that in a sense it has affected Board members’ behavior encouraging them to learn more about how to avoid mistakes and by their learning lessons from what has happened. As a result, members are more careful in their decision-making, and go more in depth in their analyses.” (Interview No. 15)

Another member echoed this concern and asked for awareness and involvement in global events. A CE commented;

“Yes, they need to be fully briefed as we are an international business and they should be fully involved and influenced by global events. I think the Arab Spring has had an effect on certain members of the Board.” (Interview No. 11).

It seemed that recent global changes have had more implication for some organizations (for example, banks) than others; A Chairperson commented;

“Being in the bank, Board members are exposed to the international market, they are close to what is going on in globally. Definitely, in general the Board behavior become more careful about the risk, therefore adequate risk assessment is provided to

the cases presented to the Board and proper enhancement to the governance rules is exercised.” (Interview No. 10)

The issue of risk ‘assessment’ and ‘management’ were the concern of the Board members;

“No doubt, the members become more educated with this new experience particularly in risk management.” (Interview No. 9)

The participants conveyed the view that the public nature of the organization does not protect the organization and the Board from external global influences; a director of a drilling organization commented;

“The [D] organization, being 100% government owned, was not substantially impacted by the decline. However, due diligence is taken into consideration, for example, when building offshore rigs.

They also exercise caution when dealing with contractors and sub-contractors.

Security is also an issue. Within the context of organization and directing growth, they are effective in terms of the overall growth and contributing to the development of Abu Dhabi.

They are effective in terms of meeting the strategic objectives of the company and country at large.” (Interview No. 16).

Overall there was a feeling that global economic declined has provided an ‘opportunity’ for learning and becoming more aware of the global economic condition and its impact on the Board.

“Most of our members are well connected with global affairs in one way or another, and of course they are exposed to information on the latest economic issues. Therefore there is no gap in knowledge about economic conditions in this respect. We tend to be more conscious of issues and try to capitalize on opportunities. Hence, I see this as having had a positive influence on the behavior of Board members.” (Interview No. 5)

It is also important to remember that PSBs are, as a CEO asserted “ considered as economic pillars for Abu Dhabi as they provide the energy necessary for the Economic Vision of Abu Dhabi.” (Interview No. 2).

On the whole, based on the views expressed the changes in the global economy have influenced the public sector Boards (Johnson et al., 1996; Lutter, 2001; Davies, 2002; Hopt and Leyens, 2004; Aguilera, 2005; Tyson and Bournois, 2005). It has influenced the individual and Boards’ effectiveness ‘positively’ by making the members ‘more aware’, ‘cautious’, and ‘risk aware’.” (Interview No. 9)

ISSUE 3: Findings

- On the whole, Board members displayed a high level of awareness of the global economic condition
- The changing global economy has had impact on the members and Board behavior
- The global economic decline has made the Board members more ‘cautious’ in terms of investment decision making
- The awareness of the global economic changes has been perceived as an opportunity for becoming more vigilant in monitoring, risk assessment and risk management

On the whole, the external factors, socio economic factors such as religion, tradition and global economy have had influence on the Board members' behavior and their effectiveness. It is evident that PSBs are sensitive to external factors within their national and international environment. These forces cumulatively affect the overall effectiveness of the individual members as well as the PSBs as the whole.

5.11 ISSUES IDENTIFIED

The issues identified in each category highlighted the aspects of the Board, organization and social, economic and political realities that Board members dealt with in their daily life as well as whilst operating on the Board. As explained earlier, identification of the main themes although necessary and important do not by themselves constitute the findings of the qualitative study (Silverman, 1970, 2005). The analysis should involve understanding the meanings that participants attribute to actions and interactions in order to understand the values and standards with which they interpret their personal experiences. Thus in the same way that issues emerge from main categories of the data, findings are formed and emerge from the issues identified. These findings should be considered in personal, organizational and external contexts and indeed they reflect the realities as experienced by the participants.

The findings of the study thus far have varied according to the issues that have emerged. Whiles some resulted in identification of 2-3 findings others yielded 8-10 findings. These finding have been assimilated and presented in Table 5.13

Table 5.13: Summary themes, issues and findings of the analysis

No.	MAIN CATERGORIES THEME	EMERGED ISSUES	FINDINGS
1	PERSONAL CHARACTERISTICS	Age (1)	<ol style="list-style-type: none"> 1. Participants who served on the selected Boards were aged between 39-65 2. Appointment to membership of the board is mostly determined by experience 3. Being a board members is seen as a form of recognition for excellence in one's career 4. Traditionally age may mean experience hence membership of the board
		Gender (2)	<ol style="list-style-type: none"> 1. All participants involve in the study were male 2. There seem to be little motivation and or opportunity for female senior managers to act as board members in PSBs 3. Traditional value may have an implicit influence on the choice of the members' gender. However, officially the members characteristics such as experience education act as merit for appointment 4. It is reported that female directors do serve on the boards elsewhere in the industry
		Education (3)	<ol style="list-style-type: none"> 1. Most board members possessed first degree(BSc) 2. Few participants possessed Master degrees (MSc) 3. Only three participants had doctorate(PhD) 4. Older participants generally felt that experience is more important than sole educational achievement. 5. Older participants felt that first degree is adequate for fulfilling their roles as Board members 6. There is a trend towards attainment of higher educational qualification amongst younger members of the Boards
		Total years of experience (4)	<ol style="list-style-type: none"> 1. A small number of participants had industrial experience 2. Those with experience in industrial setting felt that their past experience has impact on the effectives on the board
		Total years of experience at Board level (5)	<ol style="list-style-type: none"> 1. Most participant did not have long term experience of membership of the PBS Boards 2. Few Participants with long term experience of being a board member found the experience rewarding 3. Those with long term experience acknowledged the need for re adjustment and time management to fit their board duties in.
		Total years of experience on the present Board (6)	<ol style="list-style-type: none"> 1. Most participants reported that they have served up to five years on the present Board 2. Few participants had between 6-11 years experience of being a board member on the present board 3. Minority of the Board members had relatively less experience of membership on the Bead (up to a year) 4. Experience of being a member on the board is valued as an achievement 5. Those participants with long years of experience felt they are effective at managing their affairs 6. Participants who hold the Chair or CEO positions associate their roles with added status.
2	MEMBERSHIP (COMPOSITON OF THE BOARD	Involvement of the management team on the Board	<ol style="list-style-type: none"> 1. Involvement of the management on Board is critical for the smooth and effective operation of the Board 2. Management involvement ensures the exchange of the views

		(1)	<p><i>and learning on the part of the Board and management</i></p> <ol style="list-style-type: none"> 3. Management can provide specialist information to the Board which is essential for effective decision making 4. The role of Chairman is critical in the degree of the involvement of the management on the Board 5. Involvement of management often is politically motivated to ensure and validating the authority and power of the Board. 6. Involvement of the management is also a risk reduction practice on the part of the Chair person
		NED Membership of the Board (2)	<ol style="list-style-type: none"> 1. Presence of NEDs is essential for the effectiveness and management of the board 2. NEDs provide the "much needed" independency" on the Board 3. NEDs contribute to the "transparency" thus represent stake holders and are particularly welcomed in the Boards of the Banks 4. NEDs can provide the challenge to management. 5. Chairperson need to manage their involvement to get the best out of their contribution 6. NEDs contribution can be questioned at times 7. There is a need for bringing up to date the NEDs with the protocol and procedures on the Board
		Membership of the other PSBs (3)	<ul style="list-style-type: none"> • Involvement of the management on Board is critical for the smooth and effective operation of the Board • Management involvement ensures the exchange of views and learning on the part of the Board and management • Management can provide specialist information to the Board which is essential for effective decision making • The role of Chairman is critical in the degree of the involvement of the management on the Board • Involvement of management often is politically motivated to ensure and validate the authority and power of the Board. • Involvement of the management is also a risk reduction practice on the part of the Chairperson
		Influence on the Board performance (4)	<ol style="list-style-type: none"> 1. Most participant found multiple board membership as having positive effect on their performance 2. Learning, developing experience, discovering best practice and expanding one' network and relationship seem to be the motive for accepting the position on more than one board. 3. Managing time and availability were reported as the challenges that they had to deal with

3	BOARD & MEMBERS ROLES AND FUNCTIONS	Role and responsibilities (1)	<ol style="list-style-type: none"> 1. Board's main responsibility is to realize government vision, to watch over government investment and stakeholder interest. 2. Its role is to ensure that proper governance is practiced, good practice is established and board activities and processes are appropriately managed 3. Board responsibility is also extended to making the right decision and managing the board members to ensure complimentary of the contributions of the members 4. Also, leaderships of the organisation to achieve the set objectives
		Frequency of meetings (2)	<ol style="list-style-type: none"> 1. PSBs meetings vary according to the nature of the organisation. They meet between 2-6 times a year. 2. Ad hoc board meetings to discuss an important emergent issue is not uncommon 3. There little relationship between frequency of the board meetings and their effectiveness 4. The length of the time allowed for preparation and discussion may have effect on the effectiveness of the Board
		Decision making (3)	<ol style="list-style-type: none"> 1. The process of decision making may be slightly different from one board to another.

			<ol style="list-style-type: none"> 2. <i>The process generally involves: Back ground and supporting material is usually prepared by the management, included in the agenda, discussed, approved or otherwise by the board, delegations given to management for implementation, and feedback provided by the management to the board.</i> 3. <i>Chairperson plays an important role in the process of decision making</i> 4. <i>There is a need for close cooperation and collaboration between management (CEO) and the Board (Chair person)</i> 5. <i>Board can be involved in decisions of strategic and policy nature as well as functional and operational types</i> 6. <i>There are articles and guidelines for the conduct of the board, members and the process however, the political nature of the chair's contribution seems to be the determining factors.</i>
		Strategic nature of operations (4)	<ol style="list-style-type: none"> 1. <i>The boards of the organisations involved in the study to lesser or greater extend are strategic in their operations.</i> 2. <i>The extent to which PSBs are strategic in their operations is mainly due to the nature of their operation. Banks are reported to be more strategic in their work</i> 3. <i>The chairpersons of the boards seemed to be more aware of the need for strategic approach towards dealing with management and firms performance</i> 4. <i>There is a case for further improvement</i>
		Chair's conduct and leadership (5)	<ol style="list-style-type: none"> 1. <i>Chairpersons plan a crucial role in conduct and performance of the PSBs</i> 2. <i>Chair person are responsible for managing relationship with management and providing the board with guidance and direction to achieve its goals</i> 3. <i>Chairpersons are expected to maintain a balance between taking a classical leadership role to get things done quicker and adopting a more participative role to ensure involvement of the members, members' engagement, a healthy debate and arriving at consensus.</i> 4. <i>Cultural the chair is expected to act as the big brother with wisdom and ability and sense of direction</i> 5. <i>Chairperson's capability and style of leadership determines degree of the effectiveness of the board.</i>
		Agenda, meetings and prior discussion with Chair (6)	<ol style="list-style-type: none"> 1. <i>Preparation of Agenda and supporting material for the board meeting is an important activities</i> 2. <i>CEO's often share the agenda and the issues of strategic importance with the chair prior to the meeting.</i> 3. <i>Chairs also may discuss some issue before the meeting with other members "to get a feel" for discussion on board.</i> 4. <i>Members are aware of the issue of "conflict of interest".</i> 5. <i>Agenda and the formation, quantity, and time allocations all have impact on the success of board in meeting its objectives.</i>
		Constraints and demands (7)	<ol style="list-style-type: none"> 1. <i>Time constituted the most pressing constraints for the board members</i> 2. <i>Board members experienced constraints and demands differently according to their roles on the board. Chairs and CEO experienced the demands from colleagues and outside factors more than others.</i> 3. <i>Multiple membership of the boards can cause time constraints</i> 4. <i>Not being prepared which includes lack of information, mismatch of the members, and misallocation of time to discussion of issues seem to adversely affect board effectiveness</i>
		Availability of choices (8)	<ol style="list-style-type: none"> 1. <i>Choices available to board members are limited</i> 2. <i>Reduction of board membership would lead to freeing up more time hence a choice for improving effectiveness of the board</i> 3. <i>Allocation more time to the board, better management of effort, resources, and processes constituted the limited choices available to board members</i>

			<ol style="list-style-type: none"> 4. <i>Training was viewed as choice if it was available</i> 5. <i>Board members proper execution of their role is an important choice that can affect the board effectiveness</i>
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4	BOARD CULTURE AND DYNAMICS	Group dynamics (1)	<ol style="list-style-type: none"> 1. <i>Group members interaction was influenced by professional meeting outside the Board</i> 2. <i>The nature of the role and position of the members on the board such Chair and CEO influenced the intensity and frequency of the interaction inside and outside the board</i> 3. <i>Personal characteristics and "Chemistry" between the members played an important part in their interactions</i> 4. <i>The membership on PS and belonging to small community meant that almost everyone, to lesser and greater degree, knew about one another which facilitated interaction inside and outside the board</i> 5. <i>The assumed role of the participants as professionals influenced the degree and extent of their interaction inside and outside the board</i>
		Board atmosphere (2)	<ol style="list-style-type: none"> 1. <i>Generally the board atmosphere was described as "Positive and friendly"</i> 2. <i>The CEO generally suffixed good atmosphere with productivity of the board and the resolution of the issues on the agenda</i> 3. <i>The chair person role has been acknowledged as "essential" for creating a good and positive atmosphere</i>
		Working together (3)	<ol style="list-style-type: none"> 1. <i>Generally the board members worked very well together</i> 2. <i>The terms "team work", "synergy" were use to signify the "cooperation" and "good coordination" amongst the members.</i> 3. <i>The associated the harmony, good relationship with working well together. There was a distinct feeling of undesirability of the conflict and the need to avoid disagreement on the board</i> 4. <i>Chairperson played an important part in achieving the state of "working together" and "achieving results", and</i> 5. <i>Adherence of the members to the classical values which emphasized on harmony and cooperation on one hand and negative accepts of the conflict on the other was seen as necessary for getting jobs done especially by chairpersons</i>
		Chair and conflict (4)	<ol style="list-style-type: none"> 1. <i>Board members are aware of the presence and inevitability of conflict during their meetings</i> 2. <i>It is all around expectation, all-be-it implicitly, that chairs should be charged with the task of "conflict resolution"</i> 3. <i>Chairpersons adopt different style of conflict resolution. It varies from "Classical (chair solves deals with conflict) to Human Relations (adopting participative and democratic approaches".</i>

5	MEMBERS PERCEPTION OF CONTRIBUTION TO BOARD EFFECTIVENESS	Attributes of effective Board (1)	<ol style="list-style-type: none"> 1. <i>Board effectiveness is a function of multitude of personal, organisational and managerial factors</i> 2. <i>The expectation of the members in defining board effectiveness varies according to their roles on the board.</i> 3. <i>Chair is expected to exhibit leadership and management qualities</i> 4. <i>CEOs are interested in what board can do for the company</i> 5. <i>Independent members show interests in independence, involvement, decision making and relationship between the members</i> 6. <i>The committees play an important role in facilitating the</i>
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			<i>decision making on the board</i>
		Individual (self) perception of effectiveness (2)	<ol style="list-style-type: none"> 1. Board members described their responsibilities and dues in their roles as requirement for effectiveness 2. No member described himself or others as ineffective. In contracts, most members described others as effective 3. It was generally understood that others should view their effectiveness rather than making statement about themselves 4. Chair and CEO's roles formed a "partnership" and 'complementary' when it came to their effectiveness 5. EDs and NEDs saw their role and effectiveness as being able to monitor the progress of the board and contribute in their area of specialization 6. The role and effectiveness of the ED and NEDs were appreciated by other members especially the CEOs
		Reward and motivation (3)	<ol style="list-style-type: none"> 1. Rewards and motivation are essential for the ensuring effectiveness of the board members 2. The size of the monetary reward and incentive should be decided by the nature of the operations involved. The higher the risk the higher the monetary reward. 3. "Achievement", "being associated with high performing boards", and "discharging social responsibilities" were amongst non-monetary motivation for the board members 4. The monetary reward should be provided to permanent members (executives) in form of the "salary", however, NEDs should be rewarded by "fee" 5. Membership of the board provides social status which acts as a motivator for effective performance

6	CORE CAPABILITES	Required core capabilities to function effectively on Board (1)	<ol style="list-style-type: none"> 1. Board members were aware of the required core capabilities to function effectively on the board. 2. The list of required competencies included general and specific knowledge, skills and competencies required for improved effectiveness of the members on the board. 3. Participants often mixed the required capabilities with competencies 4. The specific skills, knowledge and competencies encompassed managerial and leadership as well as capabilities required for performing on the board. 5. There also seem to be a suggestion that different roles require different set of capabilities
		Available opportunities for "Induction" Training. (2)	<ol style="list-style-type: none"> 1. There is no formal induction training for the board members in PSBs 2. Some organisation provide the new members for example NEDs with some basic information about the organisation 3. There is an overwhelming agreement that there ought to be an induction training programme for the board members 4. There is belief that an induction training would help both members and the board to work/operate more effectively
		Available opportunities for "on-going" T &D (3)	<ol style="list-style-type: none"> 1. Little or no ongoing training and development seemed to be available to the board members 2. Participants felt that ad hoc training provided is not useful for increasing their effectiveness on PSBs 3. Most participants seem to have concrete ideas of what ought to be included in a typical ongoing training programme 4. Amongst the topics recommended 'Strategic Planning', "Corporate Governance", "Business management", and "Board members roles and responsibility" received more attention.
		Acquired Core	<ol style="list-style-type: none"> 1. No or little training which is directly relevant to their roles

		Capabilities (4)	<p><i>and responsibilities had been acquired prior to their appointment on the PSBs boards.</i></p> <ol style="list-style-type: none"> 2. <i>Most participants have received some for of general management training before their appointments</i> 3. <i>Most participants reported their experience from and prior exposure to other boards as the main source of relevant knowledge, skills and competencies relevant to their present roles and responsibilities</i> 4. <i>There was an overwhelming that training should be provided for the members</i>
7	EXTERNAL INFLUENCES ON THE BOARD	Language of the Board (1)	<ol style="list-style-type: none"> 1. <i>Materials and documentations are prepared in both English and Arabic</i> 2. <i>Both languages were spoken on the board</i> 3. <i>Arabic language is sometime used as additional tool for assertion, clarification, creating coherence and emphasis</i> 4. <i>English language is recognized as "business" language of the boards</i>
		Islamic values (2)	<ol style="list-style-type: none"> 1. <i>Islamic values, beliefs and way of like constitutes the most important single external influence on the members behavior on the board</i> 2. <i>Islamic values are adopted in daily life as well as board interactions and activities</i> 3. <i>Islamic values fosters trust, honesty, integrity and hard work</i> 4. <i>Islamic life values and code of ethics determines the foundation of members behaviour in particular and the board performance and effectiveness as the whole.</i>
		Ritual and tradition (3)	<ol style="list-style-type: none"> 1. <i>Participants are aware of the influences of the tradition, Islamic values and rituals on their behaviour, interaction with others and the effectiveness of the board.</i> 2. <i>Tradition and rituals have influence on the ways members interact on the boards of PSBs.</i> 3. <i>Islamic values and principles and tribal rituals influence the relationship between members and the way boards operate</i> 4. <i>Amongst the traditions and social values which affected the board effectiveness, "Respect", "Respect for elders, "Honesty" and "Sharing" seemed to be the most influential</i> 5. <i>Prolonged debates are symptomatic of the traditional needs for communication, creating understanding and resolving conflicts</i> 6. <i>The social, traditional and cultural influences impacts all aspects of the board operations</i> 7. <i>Understanding board effectiveness or otherwise necessitates understanding the external influences in particular social, religious and traditional in operation</i> 8. <i>Islamic values are adopted in daily life as well as board interactions and activities</i> 9. <i>Islamic values fosters trust, honesty, integrity and hard work</i> 10. <i>Islamic life values and code of ethics determines the foundation of members behaviour in particular and the board performance and effectiveness as the whole.</i>
		Global economy (4)	<ol style="list-style-type: none"> 1. <i>On the whole, board members displayed a high level of awareness of the global economic condition</i> 2. <i>The changing global economy has had impact on the members and board behaviour</i> 3. <i>The global economic decline has made the board members more "cautious" in terms of investment decision making</i> 4. <i>The awareness of the global economic changes has been perceived as opportunity for becoming more vigilant in monitoring, risk assessment and risk management.</i>
7		33	157

5.12 SUMMARY

Presentation of data, analysis and findings presents a major challenge for a qualitative research. Thus to simplify the process classification of the data was attempted. This led to identification of 4 organizations (cases), 16 interviews, and groupings of the directors (Board members) namely, Chairperson, CEO, Executive Director and None-Executive Directors.

Following the preliminary classification and tabulation of the collected data, the data extracted from the interviews were subjected to two processes; First Open Coding and then to Axial Coding. These processes were attempted to in order analyze the qualitative data to bring together the data and ideas. During this process the researcher identified tentative names of emergent conceptual categories. The aim was to create detailed but broad categories to form a preliminary framework for analysis of the data. However, instead of searching for words, the phases and parts of the conversations with common themes were targeted. This resulted on seven open coding which was shared throughout the interview accounts by all interviewees. Thus open coding was used to reduce the data as well as identifying the conceptual main categories or themes. Sifting through each main category's sub-themes, categories of the data were identified.

Axial coding formed the next stage of the analysis of the interview's transcripts. It involved the re-examination of the main and sub categories identified to determine how they are linked. These groupings of the data were referred to as 'issues' which formed the smaller branches of the tree of data. These form the smallest branches of the seven main branches of the themes identified via data analysis. Therefore the qualitative data generated was been

subjected to a thematic analysis which resulted in a complete 'tree of information' in which the position of each main theme, sub theme and 'issue' represent the first main branches, second branches and the final smaller branches. Understanding the effectiveness of the Boards as perceived by the participants has shaped the tree of the data. The researcher believes that the traditional approach which only endeavors the identification of the main themes may not present the fullness of the thematic analysis as it has been carried out here in this study.

In addition to the above, a summary of the data concerning four organizations named; Port (A), Fund (B), Bank (C), and Drilling Co. (D) were provided. Here the information provided was meant to provide a fuller picture of the context whilst the true identity of the organization was disguised.

The process of thematic analysis resulted in identification of 7 major themes. These included;

- i. Personal Characteristics;
- ii. Membership (Composition) of the Board
- iii. Board Culture and Dynamics;
- iv. Board Members' Role and Function
- v. Members' Perception of Board Effectiveness,
- vi. Core Capabilities, and
- vii. External Influences on the Board

Further analysis led to the identification sub theme categories and eventually to the emergence of the issues (N= 157). The key to understanding the effectiveness of the members

and the Board is within the issues identified. Certainly the emerged issues indicate that effectiveness at Board level is influenced by the nature of the organization, individuals' characteristics involved, dynamics of the Board, processes involved, individual perceptions, core capabilities, and most importantly the external influences such as culture. The degree to which these influences impacted the effectiveness of the PSBs will be discussed in the next chapter.

CHAPTER SIX: DISCUSSION

6.1 INTRODUCTION

To recap, the aim of this research is to explore the various capabilities required of Board Directors to increase the effectiveness of PSBs, in context of the organisational, socio-economical and cultural realities of Abu Dhabi, UAE. In accordance with this aim, a principal research question was advanced:

- *What factors and influences contribute to the effectiveness of the board?*

Within this chapter, the key findings that emerged from the research are discussed with a view to determining their overall significance for this research question. The aim here is to examine each theme identifying the issues that are relevant for the research question.

This chapter is structured according to the seven emergent themes. Each emergent theme is considered in turn; factors relevant to the research question are considered and evaluated with respect to the relevant literature. Based on this discussion, and the analysis presented in the previous chapter, a determination of importance is made in which the importances of the factors highlighted are ranked from very low to very high. This chapter closes with a summary of the most critical factors for Board effectiveness, and presents a table (Table 6.8) that is a composite of the relevant factors identified throughout the chapter. As such, Table 6.8 presents the factors that are critical for the effectiveness of PSBs in Abu Dhabi.

6.2 THEME 1: PERSONAL CHARACTERISTICS

The first theme that emerged from the research was the personal characteristics of Board members. Within this theme, six additional issues were identified. These were the age, gender and educational attainment of Board members, as well as their total years of experience, years

of experience at Board level, and total years of experience of PSBs. Overall, in agreement with literature, the degree to which the personal characteristics of Board members impacts the effectiveness of PSBs in Abu Dhabi was found to be limited and is only of indirect importance (Ramsay, 1998).

The review of the literature highlighted that it is important to be aware that the personal characteristics of Board members influence their behaviour (Forbe and Miliken, 1999; Hambrick et al., 2001; Li and Hambrick, 2005; Analoui et al., 2011), and that as a result, an understanding of these characteristics is necessary if one wishes to learn about Board effectiveness (John and Senbet, 1988).

Within this study, it was found that participants often conflated age with experience - and that this may lead to preferential selection to position on PSBs. However, there was no direct relevance of age to PSB effectiveness, and as such age is best understood as being of indirect importance, and only relevant given the socio-cultural context in which the study took place. Indeed, socio-cultural factors were of particular importance in understanding the interpersonal relationships and effectiveness of PSBs in Abu Dhabi (see 6.5 and 6.8).

Participants in the study were male and while it was suggested that a diversity of gender may be beneficial, the consensus among participants was that the gender of Board members was irrelevant, with selection and performance of members being a function of merit. Similarly, participants highlighted that educational attainment was of limited importance with respect to Board performance. The issue of Board diversity has been studied at length (see for example, Eisenberg, 1998; Mak and Yuanto, 2002; Judge and Zeithmal, 2002; McIntyre et al., 2008) and the review of this literature reveals that studies show mixed results, suggesting,

ultimately that Board effectiveness is not solely influenced by demographic factors. Those findings are corroborated by the present research.

With regards to the experience of participants (in industry, at Board level and on the present Board) the findings were conclusive: few participants had what they described as considerable amounts of experience, and further did not believe that experience was of much impact on Board effectiveness. However, those with industrial experience found that this was beneficial to their effectiveness, and those who had lengthy experience on their present Boards believed this contributed to their effectiveness. This is partially consistent with previous research. It has been found that Board members previous experience (Ingley and Van der Walt, 2003; Schilling, 2004) of Board operations is a determining factor for their effectiveness.

Ultimately, the personal characteristics of Board members were found to have limited impact on the effectiveness of the PSBs under study. The importance of individual factors is summarised in Table 6.1.

Table 6.1: Relevance of Personal Characteristics to Research Objectives

	Not Applicable	Very Low	Low	Medium	High	Very High
Age		X				
Gender			X			
Education		X				
Total Years of Experience			X			
Total years of experience at Board level			X			
Total years of experience on present Board			X			

Source: Data Analysis

6.3 MEMBERSHIP (COMPOSITION OF THE BOARD)

The second theme to emerge from the research was the importance of the composition of the Board. Within this theme, three key issues are important for understanding the effectiveness of the Board. These are the importance of involving senior management on the Board, the role of NEDs, and the participation of Board members on other Boards.

First, participants described the importance of senior managers being involved on the Board. The inclusion of management was found to assist in the smooth operation of the Board, this helps to provide specialist operational information, and also ensures that learning takes place between the management team and the Board. These discussions also revealed the important role that the Chairperson takes in including senior management on the Board; indeed this is one of a number of ways in which the Chairperson contributes to the effectiveness of the Board, and further discussion of this is provided below and throughout the chapter. The important role that the Chairperson plays in this regard is unsurprising. Previous research has found that cooperation between the Board and the management team has been considered influential for the effectiveness of the Board (Buchanan and Huczynski, 1997; Adobor, 2004) and relations between the management and the Board have been viewed as important for the effective operation of the Board (Gray, 1984; Pettigrew, 1992; Cohen and Bailey, 1997). Thus, these findings are consistent with previous research.

The second factor highlighted was the important role that NEDs play in contributing to Board effectiveness. NEDs were described as providing independence, transparency and challenge to the EDs and the Board as a whole - and these functions were perceived to be critical in improving the functioning of the PSBs. Such findings are again unsurprising, previous

research has found that NEDs provide challenge, independency, comfort, and make a crucial contribution to Board outcomes (Helmer, 1996; Kakabadse et al., 2001; Hermalin and Weisbach, 2003; Long et al., 2005). Indeed, the recommendation that NEDs should be appointed to Boards is one which is common in the US and the UK. The Cadbury Report (1992) recommends that Boards have at least three NEDs (Dahya et al., 2002) and the Higgs Report (2003) recommends that at least 50% of the Board (not including the Chairperson) is composed of NEDs. Despite the overwhelming consensus participants expressed as to the importance of NEDs, some participants did note that the performance of NEDs is sometimes questionable, and that there is the need to ensure that NEDs are well versed in the process and practices of the Board. Again, these findings are consistent with previous research which also presents mixed findings. Ezzamel and Watson (2005) recognise the potential of NEDs to contribute to Board effectiveness but also present misgivings as to the ability of NEDs to always perform their roles appropriately. Nonetheless, the importance of NEDs for increasing the effectiveness of PSBs in Abu Dhabi is clear, and the Chairperson of the Boards was found to be critical in encouraging and ensuring the involvement of NEDs on the Board.

The final factor that emerged was the moderate importance of Board members membership of other PSBs. Although the work did not find that the previous experience of Board members was an important determinant of Board effectiveness, it did emerge that experience of sitting on other Boards was beneficial, with the proviso that Board members did not sit on too many Boards. Participants expressed that sitting on other Boards increased their effectiveness by exposing them to new experiences, allowing them to gain an understanding of the operations of other Boards, knowledge of what is happening in their sector, be exposed to new business practices and what may be considered best practice, and insights into related industries. In short, it is contended that the benefits described by participants can be neatly

encapsulated in the conclusion that the membership of other Boards provides a wide range of opportunities for Board members to learn how they may increase their individual and Board effectiveness. Indeed, it was found (see Section 6.7) that most Board members acquired their core capabilities for performing their roles from experience outside of their present position on the Board.

Despite this mostly positive evaluation, it was highlighted that holding membership of too many Boards may bring difficulties with managing one's time. These findings are again consistent with previous research, it has been pointed out that a by-product of sitting on other Boards is that it allows Board members to gain and transfer experience (Van der Walt, 2003). Further, Board members previous experience of other Boards, and the operation of those Boards has been found to be a determining factor for their effectiveness (Sundaramurthy and Lewis, 2003; Taylor, 2004; McIntyre et al, 2008).

Ultimately, the composition of the Board was found to have a significant impact on the effectiveness of the PSBs under study. The importance of these factors is summarised in Table 6.2.

Table 6.2: Membership (composition of the Board)

	Not Applicable	Very Low	Low	Medium	High	Very High
Involvement of the management team on the Board						x
NED membership of the Board						x
Membership of the other PSBs				x		

Source: Data Analysis

6.4 BOARD AND MEMBERS' ROLES AND FUNCTIONS

The third theme to emerge from the research was the importance of the functions and roles carried out by the Board and its members. Within this theme eight key issues emerged, and of these, five are important factors for understanding the effectiveness of PSBs: the frequency of meetings, decision making, the Chairperson's conduct and leadership, the agenda for Board meetings and the occurrence of prior discussions with the Chairperson. These are considered in turn.

First, the frequency of Board meetings was found to vary between 2-6 times per year, with ad hoc meetings taking place as appropriate. Ultimately, the frequency of meetings was found to have no direct relationship to Board effectiveness. However, as discussed below - the importance of Board members being prepared is of importance - and so the researcher would advocate an indirect relationship - Board meetings must be scheduled with sufficient advanced warning and agenda's prepared in a timely fashion so that members can be properly prepared. The frequency of meetings is likely to impact the degree to which such preparation is possible.

Second, decision making is an important process and activity of any Board (Cadbury, 2002; Roberts, 2002; Kakabadse, et al., 2004; De la Rosa, 2006), and the four PSBs under study were no exception. This research highlighted that while the precise decision making process differed amongst the Boards, there was a generic procedure: proposals, recommendations and items are prepared by management, and then endorsed by the Chairperson for discussion. In endorsing the items and moderating the discussion the Chairperson plays a critical role - he determines which items are important, and then ensures that there is transparency, openness, and a sharing of views, and that the appropriate amount of time and effort are spent on

discussions. To this end, the role of the Chairperson has a significant impact on the way in which decisions are made by the Board, and hence, on their overall effectiveness.

The third factor important for the effectiveness of PSBs that emerged also related to the Chairperson: the Chairperson's conduct and leadership. Considerable prior research has revealed that the role played by the Chairperson is important for ensuring the success of the Board (Turner, 1978; Kakabadse and Kakabadse, 1999; Dury, 2002). Within this research, the researcher found that in all four cases the Chairpersons undertook a variety of important functions (discussed throughout).

Importantly, the Chairpersons were found to be responsible for managing the social interactions of Board members, managing the relationships between Board members, encouraging participation in discussion from all members of the Board to stimulate a healthy debate, while also ensuring expediency of decision making. The importance of these functions is consistent with previous research that has found that communication forms a core competency (Cadbury, 2002; Roberts, 2002; Kakabadse, et al., 2004; De la Rosa, 2006) for Board members and Board effectiveness as the whole. Similarly, it has been found that conflict resolution is an important role and capability of an effective Chairperson (Floyd and Lane, 2000; Gong et al., 2001).

It was also found that the Chairperson played an important cultural role, and should act as a 'father' to other Board members, demonstrating wisdom, ability and a sense of direction. This finding also helps to explain the role that Chairperson's were found to take with respect to decision making. Although the matters which were brought before the PSBs were not chosen by the Chairperson, it was found that in many cases, the manner in which the Chairperson,

introduced, discussed and reacted to those matters under discussion influenced the likelihood that importance and weight were attached to those matters. Thus, for a number of reasons, the Chairperson's role is critical to the effective functioning of the Board: The manner in which the Chairperson fulfils, or does not fulfil their role has a critical impact on the overall effectiveness of the Board.

The fourth factor to be identified within this theme was the preparedness of Board members. Participants highlighted the importance of being provided an agenda in advance of Board meetings to encourage their input. Further, participants highlighted that CEOs often discussed issues with the Chairperson and others prior to the meeting. This practice was seen as beneficial for increasing Board effectiveness as it helped to ensure that members were on the same page, and helped the Chairperson and others to gain an understanding of what issues were of most importance and how Board members perceived the issues to be discussed. That such preparedness is a desirable factor is consistent with previous research that has found that Board members preparedness directly relates to their individual performance and the effectiveness of the Board as a whole (Renton, 1999; Carpenter and Westphal, 2001; Nicholson and Keil, 2004; Huse, 2005).

The fifth and sixth factors relevant to Board effectiveness are the constraints and demands placed on Board members, and the choices available to them. The literature on Board effectiveness recognizes the importance of considering demands and constraints faced by Directors/senior management (Stewarts, 1987). Within this research it was revealed that the major constraint individual Board members faced was a lack of time to properly prepare themselves. This was often due to demands from other colleagues, outside factors, and in some cases membership of other Boards. Other constraints were those that impeded effective

Board process, such as the mismatch of members at meetings, and the misallocation of time to discuss pertinent issues. Consistent with previous research Board member's particular roles influenced the constraints and demands placed upon them (Karasek, 1979; Analoui, 2007) as did external influences outside the member's control (Roberts, 2002; Kakabadse, et al., 2004). However, not all participants viewed a lack of preparedness as a result of constraints and demands but rather saw this as a function of individual choice. It was suggested that a lack of time was not the issue, but rather that Board members did not chose to properly prepare.

Ultimately, the functions and roles carried out by the Board and its members were found to have a significant impact on the effectiveness of the PSBs under study. The importance of these factors is summarised in Table 6.3.

Table 6.3: Roles and functions of the Board and its members

	Not Applicable	Very Low	Low	Medium	High	Very High
Frequency of meetings		X				
Decision making					X	
Chairperson's conduct and leadership						x
Agenda, meetings and prior discussion with Chairperson						x
Constraints and demands				x		
Availability of choices				x		

Source: Data Analysis

6.5 BOARD CULTURE AND DYNAMICS

The fourth theme to emerge from the research was Board culture and dynamics. Four key issues emerged, all of which are important factors for determining Board effectiveness: group dynamics, Board atmosphere, working together, and the role of the Chairperson in conflict resolution.

Group dynamics was found to be an important factor influencing the effectiveness of Boards. Participants highlighted a number of factors that influenced their group dynamics, including their roles on the Board, the need to act professionally and in a manner consistent with their position, the personality and characteristics of individuals, and the pre-existing social ties between Board members that led to their interaction in other settings. The important role attributed to group dynamics by participants is unsurprising, it is generally understood that the cohesiveness of group members (Analoui, 2007) results in increased effectiveness, with respect to productivity and output (Hertz and Imber, 1993). The participants in the present study highlighted that the interactions between members were mostly good or very good, although a small number suggested that relationships could be improved. However, overall there was found to be good interactions between the Board members and the group dynamic was found to be conducive to effective operation of the Board - and this is consistent with previous research (Kakabadse, et al., 2004; De la Rosa, 2006).

Similarly, the atmosphere of the Boards was mostly described as being positive, professional and healthy. In light of the positive nature of the majority of the Board members interaction described above this is to be expected - a number of researchers have argued that the interactions and communications between Board members determines the atmosphere of the

Board (Sherwin, 2003; Kakabadse, et al., 2004). However, some participants did acknowledge that the atmosphere could change from one meeting to another and that occasionally interpersonal-agendas could sometimes dominate discussion, and influence the atmosphere for a period. The majority of participants also highlighted that the Chairperson plays an important role in influencing the atmosphere of the Board. Although participants did not directly describe a link between Board atmosphere and Board effectiveness, it was implicit in their discussions that such a link existed. The positive atmosphere was often appended with discussions of teamwork and professionalism.

Given the generally positive interactions and atmosphere of the Boards it is unsurprising that participants noted that Board members typically worked well together. Participants used terms such as 'team work', 'synergy' and 'harmony' to signify the cooperation and good relations that existed. As described earlier, some participants highlighted the role of the Chairperson in facilitating these positive interactions, and on the whole it was evident that good relationships were essential for the effectiveness of the Board, which is a common finding of related research (see, Hermalin and Weisbach, 1988; Hertz and Imber, 1993).

However, participants highlighted that although relationships were mostly positive and professional the occurrence of conflict was inevitable. Further, there was consensus that when conflict did occur, it was the role of the Chairperson to resolve it. The Chairpersons in this study were found to have approached conflict resolution differently, ranging from the adoption of classical to participative and democratic approaches. These findings are consistent with previous research that has highlighted that the ability to resolve conflict is an important characteristic of the effective Chairperson (Floyd and Lane, 2000; Gong et al., 2001).

Ultimately, the factors of Board culture and dynamics were found to have a significant impact on the effectiveness of the PSBs under study. The importance of these factors is summarised in Table 6.4.

Table 6.4: Board culture and dynamics

	Not Applicable	Very Low	Low	Medium	High	Very High
Group dynamics						x
Board atmosphere					X	
Working together					X	
Chairperson and conflict						x

Source: Data Analysis

6.6 MEMBER'S PERCEPTION OF CONTRIBUTION TO BOARD

EFFECTIVENESS

The fifth theme to emerge from the research was member's perceptions of contributions to Board effectiveness. Within this theme are grouped participants views on the attributes of effective Boards, their perceptions of their individual effectiveness and the need for proper reward and motivation for Board members.

The discussion of the attributes of an effective Board highlighted a variety of issues that are discussed at length in this chapter. Interestingly, when discussing their perception of their individual effectiveness, the researcher noted that participants were unwilling to describe themselves as effective, and preferred to describe others as effective, and suggested it was best to leave others to make judgements about them. However, participants did describe the

high degree of importance that is attached to the contribution made by individual Board members for determining the overall effectiveness of the Board. Indeed, the present research has made clear that Board members undertake different roles and perform various functions that contribute to the effectiveness of the Board. These findings are consistent with previous research that has highlighted that Board members contribution is crucial for the overall effectiveness of the Board (Aguilera, 2005; Petrovic, 2008; O'Higgins, 2009).

A key factor to emerge from this research is that to encourage Board members contributions, it is necessary to provide proper rewards and motivation. It was found that if participants were to maintain high morale and dedication, then the proper incentives needed to be provided, and for the majority of participants, this meant the receipt of monetary rewards. However, participants expressed the view that the nature of the rewards required for each individual should vary according to their role, and the work of the Board itself. It was suggested that the higher the risk involved, the greater the reward should be - and that while performance related pay is advisable for most Board members, it should not be provided for NEDs who should receive a fee. This is a fairly common arrangement, it has been reported that NEDs are often rewarded with a 'fee per session' (Kakabadse et al., 2000). It could be argued that an advantage of this practice is that it helps to ensure that NEDs do not engage in short-termism, as they have no financial incentive to endorse decisions that yield short-term gain but carry short, and long-term risk. These findings are consistent with previous research that has found that reward and motivation are crucial for the senior management motivation (Park and Ungson, 1997; Quick, 1997; Katzell and Thompson, 1990; Kakabadse et al., 2000; Tyson and Bournois, 2005; Analoui, et al., 2011). However, it was also highlighted that for some participants, financial rewards are secondary. Participants highlighted that there are also valuable intrinsic rewards for sitting on high performing

Boards such as a personal sense of achievement, and the opportunity to discharge ones social responsibility. Similarly it was reported that one can gain social status by being associated with high performing Boards.

Ultimately, the factors of Board contribution and rewards and motivation were found to have a significant impact on the effectiveness of the PSBs under study. The importance of these factors is summarised in Table 6.5.

Table 6.5: Members perception of contribution to Board effectiveness

	Not Applicable	Very Low	Low	Medium	High	Very High
Board members contribution						x
Reward and motivation						x

Source: Data Analysis

6.7 CORE CAPABILITIES

The sixth theme to emerge from the research was the requirement for Board members to have a number of core capabilities, and in addition, the need for training. Within this theme three important factors for determining Board effectiveness emerged: core capabilities, induction training and on-going training.

As in previous research (see Coulson and Thomas, 1991; Forbe and Milliken, 1999 Boulkden et al., 2003) participants highlighted that a variety of capabilities were necessary for Board members to perform their roles effectively. When participants were pressed for specifics, they tended to provide lengthy lists, sometimes specific and sometimes general, of capabilities,

competencies and required knowledge bases. These included such things as required knowledge of the business, the sector and their role, relevant experience, and a range of interpersonal skills. The importance that participants attached to this factor is consistent with previous research; indeed, core capabilities are one of the main themes identified in reviews of effectiveness in modern PSBs (Kakabadse et al, 2000; Analoui, 2007). When questioned about how these core capabilities had been acquired, participants noted having received little or no training relevant to their current roles on the PSBs. Although some had received some general management training, most participants noted that they had acquired their capabilities through their previous experiences.

Training and development, and its relationship to Board members effectiveness, and the effectiveness of the Board is well established (Kakabadse and Myers, 1996), and this was recognised by all participants. Although some NEDs were given background information when joining the organisation, it was revealed that no formal induction training is provided for Board members. Participants were adamant that induction training for new Board members is necessary and would yield considerable increases in Board effectiveness, helping to ensure that the PSBs operate more smoothly. Suggestions for what should be included in such a program included background about the industry, the business, the roles and functions of the Board and a range of interpersonal skills.

Similarly, little or no on-going training and development was provided for Board members, and it was highlighted that the ad hoc approach to providing training did not have any impact on Board effectiveness. On the whole participants were in favour of on-going training, perceiving it to be beneficial for Board effectiveness, although some participants did express concern over the availability of Board members to partake in these activities. While there

were differences with respect to specific training requirements (likely due to the nature of the different organisations), there was some consensus that training in such topics as ‘Strategic Planning’, ‘Corporate Governance’, ‘Business management’, and ‘Board members roles and responsibility’ *would be desirable*.

Ultimately, Board members showed a significant awareness of the kind of experience, knowledge, skills and competencies that are required for them to perform their roles and improve their effectiveness, and to increase the effectiveness of the Board as a whole. Congruent with this, was the strong assertion of the need for both induction and (to a lesser extent) on-going training and development opportunities for all Board members to ensure that the necessary knowledge, skills and competencies could be acquired.

Ultimately, core capabilities and training needs were found to have a significant impact on the effectiveness of the PSBs under study. The importance of these factors is summarised in Table 6.6.

Table 6.6: Core capabilities

	Not Applicable	Very Low	Low	Medium	High	Very High
Required core capabilities to function effectively on Board						x
Available opportunities for “Induction” Training						x
Available opportunities for “on – going” T &D				x		

Source: Data Analysis

6.8 EXTERNAL INFLUENCES

The seventh and final theme to emerge from this research is the importance of external influences on the operation of the Board. Within this theme, three key issues emerged: the global economy, Islamic values, and ritual and tradition.

The Board members of the four PSBs were found to be highly aware of global economic conditions. Participants highlighted that their awareness of global economic conditions has led to them being more cautious with respect to their investment decisions and has provided an opportunity for the Boards to become more vigilant in monitoring risk assessment and management. Thus, the global economy has impacted, to a low degree, the behaviour of Boards and thus, their effectiveness. This is consistent with previous research that has found that Board members and the Board as the whole are influenced by globalisation (Coulson-Thomas, 1991; Pye and Pettigrew, 2005; Johnson et al., 2008) and the influence of the external environment.

In contrast to the limited importance of the global economy, the Islamic values of the Board and the rituals and traditions within Abu Dhabi were found to have an extremely significant impact on the behaviour of Board members, and the overall effectiveness of the Board.

In Abu Dhabi Islamic values provide the corner stone for the social and business interactions (Abuznaid, 2006; Sameh, 2011), and participants highlighted that Islamic values, beliefs and way of life was the single most important factor influencing their behaviour. Islam was described by participants as promoting values of honesty, ethical practice, transparency, devotion, integrity and moral conduct. It was highlighted that these values, which influence individuals private lives were also pervasive in the Board room, influencing interactions with other members and setting standards for codes of conduct. Participants were firm in their

agreement that the Islamic values shared by Board members helped to create transparent, open and trusting relationships and that overall these shared values contributed significantly to Board effectiveness.

Although two participants suggested that rituals and traditions did not affect Board members behaviour and seemed to associate such an influence with a lack of professionalism, the majority of participants highlighted the important role that rituals and traditions played in influencing their behaviours. Given that participants acknowledged the significant impact of their religious feeling this is unsurprising - it has been established that rituals and tradition cannot be separated from dominant cultural values (Chattopadhyay et al., 1999). The discussion of rituals and tradition highlighted the importance of such values of truthfulness, openness, honesty and sincerity. It was found that this cultural influence led participants to treat elders with respect, and some described the Board as 'like a family', with the Chairperson playing the role of the father. For the most part, participants expressed the beliefs that the influence of rituals (such as prayer and other religious observances) and traditions was important for increasing the cohesiveness of the group and positively influenced interpersonal interactions. However, it was highlighted that the cultural value placed on communication meant that sometimes discussions continued for longer than necessary. Overall, it was clear that whether positive or negative, the majority of participants believed that rituals and traditions had a considerably significant impact on Board effectiveness. These findings are consistent with previous research that has found that cultural factors such as religious values and belief systems (Hofstead, 1980; Kakabadse and Kakabadse, 1999; Chattopadhyay et al., 1999; Yousef, 2001; Sameh, 2009) impact Board operations and outcomes (Abuznaid, 2006; Sameh, 2009; Sameh, 2011).

Ultimately, external factors had a significant impact on the effectiveness of the PSBs under study. The importance of these factors is summarised in Table 6.7.

Table 6.7: External influences

	Not Applicable	Very Low	Low	Medium	High	Very High
The Global economy			X			
Islamic values						x
Ritual and tradition						x

Source: Data Analysis

6.9 SUMMARY

Within this chapter the principal research question "What factors impact the effectiveness of PSBs in Abu Dhabi?" has been addressed. Through the discussion of each theme, and the key issues that impact Board effectiveness a number of factors have been identified. Table 6.8 (below) presents a composite of the factors that influence effectiveness of PSBs in Abu Dhabi.

Table 6.8: Factors Influencing Board Effectiveness on PSBSs in Abu Dhabi

Importance Factors	Very Low	Low	Medium	High	Very High
Age	X				
Education	X				
Frequency of meetings	X				
Gender		X			
Total Years of Experience		X			
Total years of experience at Board level		X			
Total years of experience on present Board		X			
The global economy		X			

Membership of the other PSBs			X		
Available opportunities for “on – going” T &D			X		
Constraints and demands			X		
Availability of choices			X		
Decision making				x	
Board atmosphere				x	
Working together				x	
Involvement of the management team on the Board					X
NED membership of the Board					X
Chairperson’s conduct and leadership					X
Agenda, meetings and prior discussion with Chairperson					X
Group dynamics					X
Chairperson and conflict					X
Board members contribution					X
Reward and motivation					X
Required core capabilities to function effectively on Board					X
Available opportunities for ‘Induction’ Training					X
Islamic values					X
Ritual and tradition					X

Source: Data analysis

In summarising the discussion within this chapter, it is clear that a number of broad conclusions can be reached:

- First, the factors required for, and impacting effectiveness on PSBs in Abu Dhabi are largely consistent with the research conducted on Board effectiveness in other contexts: in the western world and in both the private and public sectors. Accordingly, there were few reported differences between the roles and behaviours of the Board members on the PSBs and their private sector counterparts.
- Second, while participants were aware of a number of core capabilities required for Board effectiveness they highlighted that in all four cases there was little or no opportunity for induction and on-going training. Throughout, participants highlighted

that opportunities for induction training (and to a lesser extent - on-going training) would be extremely beneficial for incoming and current Board members. Thus, the researcher contends that the adoption of induction and on-going training and development initiatives would significantly increase the effectiveness of the PSBs in Abu Dhabi.

- Third, Board dynamics greatly impact the effectiveness of the Board, and in turn Board dynamics and the roles undertaken by members are heavily influence by cultural factors. In particular Islamic values and cultural and religious traditions impact the values and behaviours of Board members at work, promoting such things as honesty, trust, respect and professionalism. Indeed, it is apparent that without an understanding of these influences one cannot understand the operation of PSBs in Abu Dhabi
- Fourth, the composition of the Board was found to be critical for its effectiveness, NEDs were found to provide independence, transparency and challenge to their executive counterparts. However, it is noted that this is only the case if NEDs are adequately prepared, and willing and able to perform their roles.
- Finally, a recurrent finding is the important and varied role played by the Chairperson in determining Board effectiveness, the Chairperson: acts a father figure for the other Board members, directs the efforts of the Board, determines the issues which will be discussed at meetings, encourages and facilitates participation from Board members, regulates behaviours and resolves conflicts amongst Board members. Thus, the researcher contends that the Chairperson and the manner in which they conduct themselves are vital for Board effectiveness.

The following chapter presents the summary conclusion of this thesis.

CHAPTER SEVEN: CONCLUSIONS

The financial crisis in 2008, to a large extent, was attributed to the failure of the corporate governance in large corporations such as Enron, Tyco, Parmalat and Marconi and raised several questions; was this corporate governance failure? Could these failures be avoided? Could such failures be attributed to the ineffectiveness of the Boards of these companies? Not surprisingly there were calls for new policies and to monitor and constrain the so called 'unwanted behaviour' of the CEOs and their attempts to dominate the Board's decision making. Naturally there were calls for increased examination of the governance standards and codes of practice and increased Board performance on one hand and increased capabilities of the Directors based on the assumptions that effective Boards cannot exist without effective Directors on the other.

Board failures however are not confined to the Western world. Within the developing world similar concerns were raised and the fundamental question remains: what makes a Board an effective governance mechanism? The interaction of the Board members and re-examination of their role and their competencies became the focus of attention. Whilst many efforts were invested in finding the ways to improve the contribution of the Directors and the Board as the whole little attention was paid to the examination of the Public Sector Boards (PSBs), hence the rationale for the present study. Observation made by the researcher pointed to the importance of understanding the Directors behaviour in particular and PSBs Board effectiveness in Abu Dhabi as the whole. Moreover, the researcher became aware of what is prescriptively referred to as 'role taking' by the Directors on the Board and the reality of the Directors interaction which meant 'role making' by the Board members. In short, the Board dynamics are very much influenced by the nature of interactions between the members. The researcher recognised that being concerned with the perception of the Board members alone

is not sufficient. The influence of the interactions of members, Board dynamics and more importantly the effect of contextual factors especially the socio-economic, cultural and practices of Islam do effect the perception and behaviour of the members, their effectiveness and effectiveness of the Board as the whole. The question asked by the researcher is; how public sector Boards that are responsible for the economic growth in Abu Dhabi operate? This formed another reason for pursuit of the present work.

In line with the tradition of conducting an empirical investigation the first step into the unknown was to start with what is already known about the Board operations, the role of Directors and their behaviour on the Board. In other words attempts had to be made to seek the explanations for the Directors behaviour in the available literature so that the researcher could make sense out of the accounts provided by the members of their role, interaction, inspirations, and their contribution to the effectiveness of the Board.

As indicated earlier the first step was to review literature related to 'role' and its sociological origin. Thus, first the literature on the concept and theories of 'role' were explored in order to understand its origin, its attributes and its relevance for explaining organisational behaviour in particular the Board members. Thus, various concepts such 'role set', 'role conflict', 'role expectation', 'role ambiguity' and more importantly the concepts of 'role taking' and 'role making' were looked at critically from two major and opposing perspectives namely structuralism and interpretivism, and each was elaborated on in some detail. It was concluded that neither of these perspectives can fully explain the behaviour of the Directors as they are. The reality of Board and their operations suggested that maybe the adoption of an integrative approach ought to be considered in order to explain the behaviour of the Board members since it also included the consideration of the influence of the structure on the

Board members behaviour, their effectiveness and ultimately the Board effectiveness. It was clear that understanding Board members behaviour in Abu Dhabi public sector Boards requires attention to both the way members interpreted their roles and responsibilities as well as consideration of the organisational and external factors which provided the powerful influencing factors.

The second part of the review, focused on critically analysing the different perspectives of corporate governance, Board effectiveness and the capabilities required by Directors to increase Board effectiveness. Thus, the perspectives on corporate governance such as 'agency theory', 'stewardship theory', 'stakeholder theory', and 'managerial hegemony' were examined in some depth. It was concluded that the precise role of the Board – that is, what Board members should and will actually do will be, to a large extent, dependent on the way in which their role is conceived and presented to them; which will depend in part on the socio-historical context of the firm and the external governance regulations that prescribe both what behaviours are possible and desirable. Therefore, it was concluded that adopting a prescriptive approach about the role of the Board and how corporate governance mechanisms should operate would maybe become problematic because they are determined largely by the philosophical positions rather than the stand which has been adopted by the researcher. Ultimately, the influences of the socio-historic context of the organisation on the behaviour of Board members cannot and must not be ignored.

Since Board effectiveness formed the central pivot of the study a review of the literature on Board effectiveness was attempted. Not surprisingly, it was concluded that Board effectiveness is difficult to define. The main question for those scholars who wished to examine Board effectiveness was how Board effectiveness can be defined and measured.

Two streams of literature were identified: one which made use of firm financial performance as a proxy for Board performance while the other, adopted a social-constructionist stand. The latter advocated that the notions of the 'Board' and of 'effectiveness' are social constructs, and thus cannot be investigated independently of the beliefs, values and perceptions of those who create and continually re-create, and are affected by those constructs. It is this position that the researcher has adopted, in part due to philosophical considerations but also because the former proposition that took the financial performance as a proxy produced little consensus among scholars and researchers hence providing a little more evidence for a deeply contested position. The present empirical work on Board effectiveness places great emphasis on the influences of context and structure, composition of the Board and Board membership which inevitably requires in depth examination of the perception, the role of the Chair, CEO duality, the ratio of EDs to NEDs and the interaction amongst them. Thus, not surprisingly, the literature indicated the presence of a mix of views on Board and Directors' effectiveness with no real consensus being found.

7.1 AIMS, OBJECTIVES AND RESEARCH QUESTIONS

The examination of the literature showed that not all scholars in the field were content with just the examination of composition and structure in order to explain Board effectiveness. Thus, some argued that the Directors and their contribution must be taken as the most important factor towards effectiveness of the Board. This strand of the literature purported that Directors may lack the requisite competencies to undertake their roles as Board members, and that many of the problems faced by Directors are due to issues of group-dynamics, such as a lack of interpersonal trust, an inability to manage conflict, group think, and difficulties in communication. These were suggested to form the key capabilities for effective Board of Director performance.

In addition to the accounts provided by other researchers and scholars, as shown above, the researcher's own observation showed that undeniably the Directors' contribution forms one of the factors which impacts on the success or failure of the PSBs. However it was evident that this only played one part, all be it an important one, towards the overall effectiveness of the Directors and the Board as the whole. Other factors such as Board dynamics, the internal and external factors, the nature of the organisation's activities and issues which were dealt with all impacted on the performance of the members' and the Board performance. Thus, research questions formulated were thought to provide direction without forming a straight jacket for the researcher to operate in. As the findings of the research later confirmed, the guiding question proposed; *what factors and influences contribute to the effectiveness of the Board?* did provide both the direction and the flexibility necessary for conducting an explanatory ground based theory based research. It encompassed the exploration of the various factors and contributions as perceived by Board Directors, including their own capability requirements for the Board effectiveness, in context of the organisational, socio-economic and cultural realities of Abu Dhabi, UAE.

The achievement of the following objectives provided the very answers to the sub-research questions that researcher had in mind (See chapter three-Methodology);

- To review the literature concerning Board effectiveness and Director capability
- To understand the role and responsibilities of the members and processes/activities of the Board and their effects on the Board effectiveness
- To identify the present demands, constraints and availability of choices that affect the performance of Directors on PSBs

- To provide a research based conceptual model to formulate training and development policies and procedures which meet the Abu Dhabi Board member's needs for increased effectiveness.
- To explore the personal, organisational, and contextual (socio-economic, traditional and cultural) factors which affect the effectiveness of the members and the Board as the whole

In order to achieve the above, an explanatory approach was employed to answer to the question 'why' a phenomenon was employed. Indeed, the nature the present study is primarily exploratory and to a certain extent it was at the same time descriptive because it is aiming to find out what factors, influences, and components are behind the effectiveness of the Board members and Board and PSBs as the whole. However, as explained the issues of Board effectiveness have never been explored in the public sector in Abu Dhabi, UAE hence the use of explanatory research which is less structured and primarily relies on interviews and case studies seem to provide an ideal and workable approach. Of the choice of the methodology was determined by consideration of the underlying assumptions concerning main research concepts; these included *axiology*, the role of values in enquiry (biased vs. unbiased), *ontology* (the nature of reality), *epistemology* (the relationship of the knower to the known), which led to construction of a suitable *methodology* (the best means to arrive at knowledge about the World) to explore the perception of the Board members.

The researcher neither advocates to the 'objectivism' which assume that the essence of social phenomena exist independent of our perception, nor to subjectivism alone which assumes that reality exists only in name or is a product of the mind. Rather, advocating to the plausibility of the view that that social reality is the product of a process involving a

continuous series of subjective and objective moments. This is particularly important, as it was discovered later on during the fieldwork, because research methods cannot be considered in isolation from influencing factors such as dominant cultural values and institutions such as religion. In the case of the present research, the culture of Abu Dhabi and the influence of Islamic values, undoubtedly affected the way Board Directors of PSBs describe the reality as they perceive it.

The debates on 'positivism' and 'constructionist' approaches to study of the social and organisational phenomenon resulted in understanding that neither could adequately explain the reality of PSBs in Abu Dhabi.

The researcher felt that there is a need to discover the structures and potential mechanisms which underlie the Board phenomenon first, before exploring the behaviour of the Directors (Agency) on the Board meetings and then explaining them by pointing to the social meanings which help their construction. It was felt that the conditions on which PSBs are based are of paramount importance and need to be understood. Therefore, by adopting 'Realism as a realist alternative, attempts has been made to ensure that both subjective accounts (perceptions, understanding and views) of the participants were captured and simultaneously attention was paid to objective organisational and wider social realities which influence and contribute the effectiveness of the PSBs.

The adoption of the case study approach for this exploratory approach focussed on the primary actors who are affected and affect the effectiveness of the Board. In line with the concept of theoretical saturation, 16 cases from four organisations were targeted for semi interviews and were undertaken, though as discussed earlier, data saturation was achieved after conducting 12 interviews.

The data collected was subject to systematic and analytical consideration. The accounts provided by the participants were reduced, coded, and the emergent themes were cross examined with other cases, then the secondary data collected, and the evidence from literature also included in the analysis of the data.

The adoption of the above strategy yielded a collection and generation of the rich qualitative data relevant to the subject of the social inquiry. This in turn satisfied the criteria of validity and reliability expected from a serious study. On the whole, the researcher was confident that the data collected, analysed and the conclusions reached during analysis were the true reflection of the realities of the PBS and experiences of the participants within the sample cases used. Thus, some measure of generalizability in terms of identification of similarities and differences has been achieved.

The above provided the holistic framework which allowed the investigator to understand and explain the phenomenon of Board effectiveness as it was and not as it was expected to be. It was clear from the start that Board members played an important part in the process however as the investigation progressed it became evident that even amongst this group the Chair person seemed to play a vital role on ensuring the effectiveness of the other and the Board as the whole. This has been explained in detail in the findings of the study in chapter five. However, attempt has been made not to provide a simplistic explanation as to what contributes to the effectiveness of the PSBs. The findings from the data for example clearly showed (See chapter five) that the effectiveness of the Chairperson himself was determined by the dynamics of his relationship with the CEO of the organisation and that was influenced by the dynamics of interactions between other members including the non-executive members.

7.2 MAIN FINDINGS OF THE STUDY

Following the preliminary classification and tabulation of the collected data, the data extracted from the interviews were subjected to processes of coding in order to analyze the qualitative data to bring together the data and ideas. During this process the researcher identified initial emergent broad conceptual categories which formed a preliminary framework for analysis of the data. These included; *Personal Characteristics; Membership(Composition) of the Board; Board Culture and Dynamics; Board Members' Role and Function; Members' Perception of Board Effectiveness; Core Capabilities, and External Influences on the Board.* Searching for phrases and parts of the conversations, instead of words, common themes were targeted. This resulted in the formation of seven open codings which was shared throughout the interview accounts by all interviewees. Thus open coding was used to reduce the data as well as identifying the conceptual main categories or themes. Sifting through each main category's sub-themes, categories of the data were identified. The next stage was concerned with analysis of the interview's transcripts. It involved the re-examination of the main and sub categories identified to determine how they are linked. These groupings of the data were referred to as 'issues' which formed the smaller branches of the tree of data. These form the smallest branches of the seven main branches of the themes identified via data analysis. Therefore the qualitative data generated was subjected to a thematic analysis which resulted in a complete 'tree of information' in which the position of each main theme, sub theme and 'issue' represent the first main branches, second branches and the final smaller branches. Understanding the effectiveness of the Boards as perceived by the participants has shaped the tree of the data. The researcher believes that the traditional approach which only endeavors the identification of the main

themes may not present the fullness of the thematic analysis as it has been carried out here in this study.

Further analysis of the data in each *Theme* category led to the identification sub theme categories and eventually to the emergence of the issues (N= 157). The key to understanding the effectiveness of the members and the Board is within the issues identified. Certainly the emerged issues indicate that effectiveness at Board level is influenced by the nature of the organization, individuals' characteristics involved, dynamics of the Board, processes involved, individual perceptions, core capabilities, and most importantly the external influences such as culture. These influences to varying degrees contribute to the effectiveness of the Board Directors and the effectiveness of the Board as the whole. As shown in the previous chapter factors (See Chapter Six) such as socio cultural, in particular Islam, on the behavior of the members, the dynamics of interactions, operations of the PSBs; the required core capabilities, roles and function have huge implication for the way PSBs are performing.

Certainly the findings of the present study have gone beyond answering the original questions asked and therefore all the objectives have been realized. The findings elaborated in form of issues have shown that for example, it would be simplistic to assume that the core capabilities required by the Board members are the only factor for the improved performance of the Directors and the Board as the whole. Rather they should be considered as one of the influential ones. It would be a folly to imagine that capable Directors can make substantial contribution to the Board performance without considering the contexts (mechanism and structure) and its influences on their behavior. In some ways, as shown earlier, even improving the core capabilities of the members may not be the solution for their increased performance rather it is the social meanings which allows the participants see a particular role in a different light. The importance which is culturally given to the chairperson goes beyond

his skills and capabilities in managing the Board. Chairs are seen as 'Father' figures, 'protectors', and the one whose opinion traditionally should be respected and followed. The public sector as a system recognized the importance of the Chairperson, CEO, ED and Non-ED in accordance to the role advocated to their position on the Board. However, even the description of the role comes with related social status which governs the relationships both in on the Board and off the Board situations. It is apt to quote from a Director who said "You can't mess with the chair and you shouldn't". He went on to say "you shouldn't because you will be challenging our tradition, way life, and the values that we have respected for a long time... Let's not forget these values and beliefs provide the social sanctions to control his behavior on the Board". The present study forms the first study of PSBs in Abu Dhabi which effectively contextualizes the principles of the corporate governance. The implications of its findings for theory and practice are ample and they even go beyond the scope of the study itself.

7.3 CONTRIBUTION TO THEORY AND PRACTICE

The present research has extended the scope of our present understanding of the effectiveness of the PSBs Boards, behavior of the Board members in particular and the understanding of the corporate governance in general. There are three broad groups of contributions that the present research has made to the development of the theoretical aspects of the corporate governance. First, the findings of the research have enabled a better understanding of the PSBs and their operations on their Boards. Interestingly, it was found that the mechanism and operations of the PSBs are not so different from the Boards of the private sector companies. The findings clearly showed that in the developing world like Abu Dhabi, the public sector plays an important role towards the development of the economy; therefore, the Boards play

a significant role towards ensuring the success of the operations on the Board. However, against this backdrop, the study clearly showed that public sector Boards lack the competencies and skills needed to optimize their operations. Whilst most members were highly qualified, the members lack the experience needed to effectively contribute to the Boards' operations. Whilst previous experience of the members to a large degree seems to compensate for the lack of relevant skills and competences, the findings of the study clearly indicated to the need for core competencies on the part of the members. In that sense of the word, the present study contributed to the existing body of knowledge concerning the need on the part of the members for training and development. Few research projects have looked at the capability of the members as decisive factors which contributes to the success/failure of the Boards. None has clearly identified the core competencies required for the increased effectiveness of the Directors and the Boards in context of public sector organizations. Therefore one of the major implications of the findings is that members of the PSBs' Board require core competencies which could be gained prior to joining the Board and during the operations of the life of the Board. This has major implications for the policy and procedures governing the selection and training of the Board members. It is not beyond the realm of reality that this major finding could have implications for other public sector Boards and indeed, the private sector within developing countries.

The second major contribution of the present study relates to the role of members on the Boards. A great deal has been written on the contribution of the Chair person and the role of the CEO on the outcome of the decisions of the Boards. However, what has been identified here is a special relationship between the Chairperson and the CEO on the PSBs in Abu Dhabi. These interesting findings add to our knowledge of the Chairs behavior in negotiating the reality through relationship with the CEOs. As it was shown the Chairs success in running the Boards operations and getting the desired result to a large extent has been determined by

the nature of the relationship with the CEO. The findings show for the first time that the influence of the Chairperson becomes clear in the way the Agenda for the Board meeting has been negotiated, al be it, in a very subtle and complex way with the CEO. From then on the Boards operations are controlled by the symbiotic relationship between the two agents. An amicable relationship between the two parties will ensure smooth running of the affairs of the Board. Whilst this finding constitutes a major contribution to the theory and practices in terms of understanding the power role and influence of the chair on the PSBs, the other related findings highlight the importance of this contribution as being even more important when it is recognized that cultural values provide the basis for legitimacy of the power for the chairperson on the Board. This has major implications for the selection and training of the Chairperson for the Boards in the public sector organization. In the context of Abu Dhabi's public sector, traditional and religious value systems add importance and legitimacy to the role of the Chairperson.

The third and probably the most significant contribution of the present study to the theory is that the research has contextualized the corporate governance principles in Abu Dhabi. This first time study highlights the reality of the PSBs as they are and not in a prescriptive sense of the word. It has shown clearly that the operations of the Boards to a large extent are influenced by the context. Not so much the organizational context rather by the influences of the wider socio-economic and cultural context. Indeed, the simplest but the most important findings relate to the direct and indirect influences of the Islamic values which govern the life and the behavior of the members on and off the Board. These forces cannot be ignored. The dynamics of the Boards, behavior and contribution of the members, to a large extent, have been influenced and even determined by these subtle forces. The implication for the theory is a simple but an important one: Board members' behavior and conduct has to be understood in the wider socio-cultural context. The values such as seniority, loyalty, respect and the most

important of all 'trust' play a crucial role in the Board processes and outcome. The effectiveness of the Boards and individual members is determined by the interplay of the rules and socio-cultural values which are held dearly by the members.

On the whole, the findings of the present study have several implications for the theory and practice of the PSBs in developing countries. Also, the researcher intends to publish the results of the study to highlight the importance of the Boards and make a contribution to the knowledge.

7.4 LIMITATION OF STUDY AND FUTURE RESEARCH

There are several limitations for the present work. The study was limited by the resources available to the researcher. Of those resources probably the time has been a major factor. A major study of the grounded theory kind may need years of working and learning the culture of the PSBs, individual members, observing the behavior of the different Board members on and off the Board and more importantly participating in various organizational Boards. However, the position of the researcher as a Board member and a citizen of Abu Dhabi and his familiarity with the public sector to large extent did compensate for the above limitations. The researcher intends to continue with the above research in future to add more to our present knowledge of the PSBs and their operations.

The second limitation was the feasibility of conducting interviews in a large number of Boards. Having said that, should the researcher have had more time and financial resources he would have provided a comparative study of many Boards including both the private and public sectors. However, the limitation of time and resources means that this challenge should form an item for future studies.

Certainly, the findings of research suggest that the role of the Chairperson and dynamics of the relationship between the Chair and CEO, and the Chairperson and the other Directors including non-executive Directors requires future research.

The present study has identified a number of 'issues' which each could form the basis for future empirical research.

There is no doubt that understanding the factors that have contributed to the effectiveness of the members and the Boards of the public sector in Abu Dhabi have created the basis for better understanding of the Boards and simultaneously has given rise to many intriguing issues for future empirical work.

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Table 5.4: Brief profile of the organizations "A", "B", "C", and "D"

Organization 1: A**1. Brief History of Company A**

Abu Dhabi Ports Company (A) was given control and regulatory enforcement power over all commercial ports assets previously owned by the Abu Dhabi Seaports Authority (ADSA).

A Company is a leader in the development of world class ports and industrial zones.

A Company is a master developer and regulator of ports and industrial zones. Its objective is to act as an enabler for development and trade and facilitate the diversification of the national economy. In doing so, it will provide its customers and stakeholders with the highest levels of service in a responsive and transparent manner.

Company A is given the responsibility to develop Khalifa Port and Industrial Zone (KPIZ) in order to drive economic expansion and diversification for the region. KPIZ is positioned between the Middle East and Asia and strategically located midway between Abu Dhabi and Dubai. KPIZ will be a mega-scale industrial zone and multi-purpose port with special zones dedicated to industrial, logistics, commercial, educational and residential facilities. This world-class project will be linked by a national freight and rail line, highway systems and utility distribution networks.

2. Short description including history of the Company.

Company A, is Public Joint Stock Company wholly owned by the Government of the Emirate of Abu Dhabi, established in March 2006 in the Emirate of Abu Dhabi.

3. Organization Structure

The Board of Directors is the highest governing authority within Abu Dhabi Ports Company (A). The Chief Executive Officer (CEO) reports to and acts as Advisor to the Board. Company A Senior Management comprising Executive Vice President

and Vice President level designations report to the CEO.

Company A organization structure comprises Business Units, Support/Functional Units and Divisions.

Business Units

Ports Unit, comprising:

Regulations, Compliance and HSE Division
Planning & Commercial Development Division
Technical Services Division
Operations Division

Industrial Zones Unit, comprising:

Regulations, Compliance and HSE Division
Planning & Commercial Development Division
Technical Services Division
Operations Division

Support Units

- **Projects, comprising:**

- Major Projects
- Special Projects
- Engineering and Construction
- Project Controls and Contracts

Finance, comprising:

- Financial Control Division
- Treasury & Risk Management Division

Corporate Support, comprising:

- Information Technology Division
- Corporate Procurement Division
- HR & Administration Division

- CEO Office
- Corporate Communication Division
- Corporate Planning and Performance Division
- Corporate Health, Safety and Environment
- Legal Counsel
- Internal Audit and Risk Assurance Division

Board Sub-Committee

-
- Audit Committee
 - Remuneration Committee

Major Management Committees

- Executive Committee (EXCOM)
- Executive Operating Committee
- Strategy Committee
- Strategy Project Management Office (PMO)
- Tender Board
- IT Steering Committee
- Business Readiness Committee
- Project Change Control Board

4. Objectives.

The objective of company A is to act as an enabler for development and trade and facilitate the diversification of the national economy. The result will be greater prosperity for Abu Dhabi through increased trade and inbound investment, the enrichment of the Emirate's knowledge and skills base through the interface with global industrial leaders, and the provision of world class employment opportunities for the Emirates through long term and sustainable economic growth. In a nutshell, by developing transformational industrial zones and managing Abu Dhabi's ports and maritime facilities, company A is a major driving force behind Abu Dhabi's increasingly sustainable and broad-based economic future.

Vision

Be the preferred provider of world-class integrated ports and industrial zone services.

Mission

Fulfill Company A's role in realization of Abu Dhabi Vision 2030.
Develop and maintain long-term relationships with leading local and international customers.
Achieve sustainable development while supporting community needs and preserving local values.
Be the employer of choice that attracts and retains high caliber staff.
Increase shareholders value and satisfy other stakeholders' expectations.

Corporate Values

Safety and Security
Do not compromise on safe and secure operations
Integrity and Fairness
Strive to the highest ethical standard

Embrace fairness and respect
Teamwork
Encourage and promote teamwork spirit
Stakeholder Focus
Ensure customer satisfaction
Preserve and enhance shareholder value
Dynamism
Promote responsive, effective and results-oriented behavior
Be innovative and technology savvy
Quality
 Achieve highest quality standards
 Sustainable Development
 Commit to the community
Minimize environmental impacts
Ensure long-term economic viability

5. Mandates

ADPC mandated by the Emiri Decree No. 6 of 2006 is to own, run and operate all the non Military and Oil ports in the Emirate of Abu Dhabi. And own Khalif Industrial Zone, as per the Decree.

Organization 2: B

6. Brief History of Company B

Fund (company B) was established in 2007 based on Law No. 14 of 2005 for the Emirate of Abu Dhabi to support and develop Small and Medium Enterprises. The Law by which B Fund was established has been amended by Law No. 13 of 2009 where the name of the fund was changed to B Fund for Enterprise Development, and the capital was raised to 1 billion dirham.

On 7 March 2011, the Executive Council of the Emirate of Abu Dhabi issued a

decree law number 11 based on which it was decided to increase the Funds' capital by AED 1,000,000,000, payable by the Government of Abu Dhabi.

B Fund was established as an independent agency of the Government of Abu Dhabi, to cultivate UAE National entrepreneurship and promote the development of small and medium enterprises (SME) in Abu Dhabi. Its vision is aligned to the Abu Dhabi Economic Vision 2030 to create a diversified economy and achieve sustainable growth.

The Fund has five branches in Ajman, Fujairah, Ras Al Khaimah, Al Ain, Western Region, in addition to the Head Office in Abu Dhabi.

7. Organization Structure.

The Board of Directors is the highest governing authority within B Fund for Enterprise Development. The Chief Executive Officer (CEO) reports to the Board. B Fund Senior Management comprising Chief Operations Officer (COO) and Chief Administrative Officer (CAO) report to the CEO.

B Fund organization structure comprises of core operations departments and support functions/departments in addition to corporate functions.

Core Operations/Functions (Reporting to COO):

- 1- Entrepreneurship Development Department
- 2- Enterprise Development and Support Department
- 3- Credit Department
- 4- Training Department

Support Departments/Functions (Reporting to CAO):

- 1- Human Resources Department
- 2- Information technology Department
- 3- Finance Department

Corporate Functions (Direct Reporting to CEO) Comprising:

- 1- Strategy Department
- 2- Quality Department
- 3- Legal Advisor
- 4- Risk Management
- 5- Incubator Department

-
- 6- Advisor to CEO
 - 7- Direct Investment Department
 - 8- Corporate Communication and Marketing Department
 - 9- Chief Information Security Officer

Independent Functions (Reporting to Board of Directors):

- Internal Audit and Risk Assurance Department

B Fund organization structure attached.

Vision

To lead entrepreneurship development and facilitate growth of competitive SMEs

Mission

To fuel an entrepreneurial culture, drive innovation and sustainable growth of Emirati SMEs that contribute to social and economic development of the UAE by providing access to services and financing and by facilitating an SME-friendly environment

8. Mandates

Mandated by Law. 14 of 2005 amended by Law 13 of 2009 to look into entrepreneurship development and facilitate growth of competitive SMEs in AD.

9. Brief history of Corporate Governance within the B Fund organization

Corporate Values

- 1- Customer Service: B Fund will meet in every reasonable way our customers', partners and stakeholders' requirements and expectations
- 2- Leadership: B Fund will strive to be visionary and mission-oriented, and to be the leading one-stop agency in the provision and delivery of

- entrepreneurship development initiatives and programs
- 3- Employees development: B Fund will develop, train and support a quality and dedicated pool of staff, treating them with respect, and empowering them to achieve work and service excellence
 - 4- Integrity: B Fund will apply the highest standards of governance – legally, ethically, morally – in our work and service, remain transparent and accountable to our stakeholders and those we serve
 - 5- Operational Excellence: B Fund will constantly review our procedures and processes, diligently pursue improvements in every facet of our service, so as to be effective and operate at high efficiency levels with the available resources at our disposal
 - 6- Teamwork: B Fund value teamwork and will strive to establish lasting collaborations with stakeholders and partners through fair dealing and effective communication for our mutual benefits
 - 7- Corporate Social Responsibility: B Fund will promote the vitality, enterprise and well-being of the communities in which we serve so as to contribute to the wellbeing and growth of the society.



10. Board structure and membership



Board of Directors:

The Board of Directors comprises seven members appointed by the Executive Council, the current composition of the Board of Directors is as follows:

	No.
Chairman of the Board of Directors	One
Vice Chairman	One
Board Members	Five

Board Executive Committee:

Chairman	One
Members	Three

Audit Committee:

Chairman	One
Member	One
Independent Member	One
None Executive Member	One

7. Organization specific regulation for the Board establishment, membership and operator.

1- Board Establishment and Membership:

Mandated by Law 14 of 2005 amended by Law 13 of 2009.

2- Chairman and Board Members' Appointment:

Chairman of the Executive Council's Resolution. 46 of 2006, Resolution. 54 of 2006 and Resolution. 85 of 2009.

3- Mandates for Board of Directors and Board Committees' Operation:

- Board Charter
- Audit Committee Charter
- Board Executive Committee Charter
-

4- Major Committees:

- Management Committee.
- Management Credit Committee.
- Investment Committee.
- Procurement Committee.

8. Ownership structure / stakeholders

100% government ownership.

Public Sector

9. Board meetings and durations

- 1- The Board of Directors meets on a quarterly basis.
- 2- The Audit Committee meets on a quarterly basis.
- 3- The Board Executive Committee meets at the request of the Committee Chairman.

Organization 3: C

11. Brief History of Company C.

Listed on the Abu Dhabi Securities Exchange (ADX), Bank C is an integral systemic bank of the United Arab Emirates (UAE) providing a full range of products and services to the UAE market. Bank C is the largest bank in Abu Dhabi and the second largest bank in the UAE in terms of assets.

Bank C is one of the primary banks to the Abu Dhabi government and public sector companies. The Abu Dhabi government owns 70.5% of Bank's C shares through its investment arm, the Abu Dhabi Investment Council (ADIC).

It is the most internationally diversified bank among the UAE banks with offices in Egypt, Oman, Bahrain, Kuwait, Libya, Sudan and Jordan in the MENA region, Hong Kong in the Far East, London, Paris, and Geneva in Europe and Washington D.C. in the USA. Its largest external market is Egypt where it operates as a full service bank with 28 branches and cash offices. In Oman, the bank has eight branches and cash offices providing a comprehensive range of services throughout the Sultanate.

Since its inception in 1968, Bank C diversified earnings base has delivered a strong track record. This has been achieved through organic growth. The Group is differentiated by its strong franchise, skilled employees and long-serving management. Bank C employs 4,216 people in the UAE and 1,097 at its

international operations worldwide.

As at 31 December 2010, the Bank's:

- Assets were AED 211.4bn (USD 57.6bn)
- Loans and advances to customers were AED 136.8bn (USD 37.3bn)
- Customer deposits were AED 123.1bn (USD 33.5bn)
- Capital resources, enhanced by AED 5.6 billion conversion of UAE Ministry of Finance deposits to Tier 1 capital in February 2010, were AED 32.4 billion (USD 8.8bn)
- The Bank's Basel-11 capital adequacy ratio was 22.6% (Tier-1 at 16.2%)

12. Organization Structure.

The CEO has responsibility for the day to day management of NBAD including:

Implementation of decisions of the Board and strategy determined by the Board.

Managing the business of Bank C in accordance with strategy approved by the Board.

Managing systems of risk management and control.

Managing delivery of targets set by the Board.

Chairing the Executive Committee and Management Committee.

Bank C organization structure is based on Matrix form.

Vision

To be recognized as the World's Best Arab Bank

Mission

To provide our customers with exceptional service by creating products and delivering services of enduring value to help our customers grow

Corporate Values

- Value our stakeholders
- Accessible to our customers 24 x 7
- Loyal to our heritage and global in our outlook
- Understand our customers' needs
- Recognize that people are our single biggest asset and empower them.
- Teamwork
- Deal with others as we would like them to deal with us

13. Mandates

Customer Pledge

Our Corporate Sustainability and Responsibility Policy Investing in our future. We are committed to doing business in a responsible way by dealing with our customers, investors and other stakeholders honestly and fairly, by valuing our employees, by being accessible and responsive to the communities where we do business and through careful environmental stewardship.

14. Brief history of Corporate Governance within the Bank C organization

Bank C is committed to implementing corporate governance practices to a standard derived from an amalgam of UAE guidelines and international best practice, applied in the context of NBAD. In this respect Bank C welcomed the additional guidelines issued during 2010 by a Steering Group on Corporate

Governance and Basel Committee on Banking Supervision: Principles on Corporate Governance Standards for Banks ('Basel'). The Board recognizes that good corporate governance is of critical importance to banks and is an invaluable tool in shaping and enhancing the performance of the Bank.

In response to the continuing evolution of international best practice, Bank C initiated during 2010 an evaluation of its corporate governance framework. The evaluation will be reflected in further corporate governance improvements and enhancement which Bank C will adopt during 2011 and 2012.

Bank C has been continuously improving its corporate governance year on year. The role of the Board's Corporate Governance Committee is to maintain this momentum, demonstrating the Board's commitment to continuous corporate governance improvement in a measured response to developments within Bank C the UAE and globally.

15. Board structure and membership

Chair	One
Deputy Chairman	One
Board Members	Seven

Board Committees:

The Board has four Board Committees to which it has delegated responsibilities as set out in the terms of reference of each Committee. Committee membership is shown above. The Board ensures that directors with appropriate skills are aligned to the tasks and responsibilities of each Board Committee. Each Committee has the appropriate balance of skills, experience, independence and knowledge to enable the Committee to properly discharge its duties and responsibilities. The Committees and their primary activities are:

Audit Committee

Responsible for overseeing the integrity of the financial statements, preparation of the consolidated accounts including changes to accounting policies and practices and adherence to disclosure rules, overseeing relationship with external auditor, overseeing internal audit, ensuring adequacy of financial controls, internal control and risk management frameworks and oversight of Bank C's values and ethics. The Audit Committee met 14 times in 2010.

Compensation and Nomination Committee

Oversees compensation, succession planning and appointments of senior management as well as overseeing HR policies for Bank C as a whole. The committee met 5 times in 2010.

Corporate Governance Committee

Makes recommendations to the Board on appropriate corporate governance policies and practices. The Corporate Governance Committee met 3 times in 2010.

Risk Management Committee

Sets and monitors the Group's risk strategy and policy guidelines, sets and monitors the Group's credit, operational and market risks and approves credits above management's delegated authorities. The Risk Management Committee met 13 times in 2010.

7. Organization specific regulation for the Board establishment, membership and operator.

Bank C Governed by the Board of Directors (BOD), the BOD members appointed by H.H the Crown Prince of the Emirate of Abu Dhabi for a period of 3 years renewable, the BOD Developed Board Charter which specify the role and responsibilities of each BOD members the CEO and the Sub-Committees, the BOD delegate the running of the day to day business to management through the Delegation of Authority Matrix, and also ADPC developed number of important documents such as Corporate Governance Manual, Code of Business Conduct,

Procurement Policies and Procedures.

8. Ownership structure / stakeholders

Foreign ownership is restricted to 25% of the total shares listed on the exchange. As of 31 December 2010, foreign ownership in Bank C shares amounted to 2.50%.

9. Board meetings and durations

The Chairman, aided by the CEO, strives to ensure that the Board is well informed about Bank C's business, policies and material issues including all material developments.

The Board met regularly throughout 2010. The Chairman, aided by the CEO, strives to ensure that the Board is well informed about the Bank's business, policies and material issues including all material developments.

The Board met regularly throughout 2010, holding 5 meetings. The Board papers contained all information which the Chairman, aided by CEO, considered.

Organization 4: D

16. Brief History of Company D

The Drilling Company (D) is one of the largest drilling contractors in the Middle East, providing its customers with quality drilling, work over??? and well maintenance services. Established in 1972, Drilling Company D was the first venture among the AD drilling Group of Companies. Today, Drilling D operates a

fleet of ten of offshore and onshore drilling rigs, a Multi-Purpose Service Vessel, as well as five water well rigs surveying the ground water of the Emirate of Abu Dhabi. Drilling D take pride in our record of providing safe, healthy working conditions while protecting the environment and safeguarding assets.

Since 1973, National Drilling Company D completed the drilling of more than 4,000 onshore and offshore wells with a total depth of more than 21.5 million feet. This exceeds the diameter of the globe of 20.9 Million feet.

In order to cope with the increasing demand for oil throughout the world, Drilling Company D has strengthened its capabilities by acquiring new technologies and adding more rigs to its fleet all equipped with ultramodern technologies. The company plans to increase its number of rigs, and to enhance its existing fleet by following a major enhancement program.

In addition to that, the company has been actively supported by the operational companies and successfully pre-qualified itself for a number of significant services such as directional drilling, drilling system and wire line services. Drilling Company D's role in the petroleum development of the Emirate of Abu Dhabi is widely accepted and recognized. It is one of the largest drilling contractors in the region and undoubtedly one of the leading in the UAE drilling industry.

2. Corporate Values

1. Health and Safety Commitment - Focus and commitment towards no harm to people, assets or environment.
 2. Customer Focus - Meet and exceed customer expectations
 3. Leadership - Ability to lead, guide, inspire, direct and influence the performance of group members towards the achievement of goals, irrespective of level or position.
 4. Teamwork - Cooperate and strive together for common goals, using individual skills, effective communication, transparency, trust and mutual respect.
 5. Ownership - Demonstrate job commitment by taking keen interest, responsibility and accountability for all tasks, like one's own.
 6. Empowerment - Decentralize decision making and implementing at different levels by delegating as per approved authorities.
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7. Professionalism - Adherence to standards, values, and responsibilities in our dealings with customers and associates, passionately believing in what we do and always striving for excellence.

3. Mandates

To operate based on Resolution passed by the Supreme Petroleum Council Within AD

4. Brief services provided:

Drilling Company D offers efficient drilling and well maintenance services to clients at competitive rates, paying special care to protect both, the surrounding environment as well as the health and safety of employees.

Services include Onshore Services, Offshore Services, Ground Water Research Program, Directional and Horizontal, Barge Services, Wire line Services, Logging Services.

5. Board structure and membership

Chairman	One
Deputy Chair	One
Board Members	Six
Total	Seven

6. Organization specific regulation for the Board establishment, membership and operator.

The Company is managed by a Board of Directors comprising seven (7) members including the Chairman, his Deputy and the General Manager.

The Board of Directors' appointment or renewal of office shall be made by virtue of a Resolution passed by the Supreme Petroleum Council or who represents it. Term of office in the Board shall be three (3) years and may be renewed. The Chairman, his Deputy and the Board Members remuneration shall be fixed by a Resolution passed by the Supreme Petroleum Council or who represents it.

A Board Member may be removed or replaced at any time.

Resolution passed by the Supreme Petroleum Council or who represents it. Vacancies in the Board of Directors result due to resignation, removal or death of any Member shall be filled by a Resolution passed by the Supreme Petroleum Council or who represents it.

Regardless of any vacancy in the Board of Directors, the remaining Members may continue their activities provided that a quorum is complete to hold a Board meeting.

The Supreme Petroleum Council or who represents it shall appoint a General Manager of the Company and define his remuneration. The General Manager shall be responsible before the Board of Directors for implementation of the Board Resolutions and shall conduct the Company's business and defend its rights and interests in accordance with its law of incorporation. Articles of Association and Board Resolutions. He may also exercise all authorities delegated to him by the Board of Directors.

7. Ownership structure / stakeholders

Drilling Company D was established as a national shareholding company subject to applicable laws in the Emirate of Abu Dhabi.

The Company shall have an independent legal entity with all its shares owned by Abu Dhabi National Oil Company 'ADNOC'. As the sole shareholder, ADNOC may practice all shareholders' rights and authorities usually practiced by General Assemblies. The Company may issue part of its shares not exceeding 30% (thirty percent) to UAE nationals whether natural or legal entities, in which case the necessary action shall be taken to amend law No. 4 of 1981 in conformity with introduction of the private sector ownership.

8. Board meetings and durations

The Board of Directors shall meet twice a year in the Company's Head Office or at any other venue inside or outside Abu Dhabi Emirate as may specified by the Board. The Board shall also hold an exceptional meeting upon a request by the Chairman of Board of Directors, minimum two Board Members or the General Manager plus one Board Member. The Board meetings shall be Chaired by the Chairman of the Board.

The quorum shall not be complete unless a Board meeting is attended by four (4) Members including the Chairman or his Deputy. The Board Resolutions shall be passed by majority of votes of Members attending a meeting. If votes are equal, the Chairman shall have the casting vote.

The invitation to a Board meeting shall include the invitation to contribute to the agenda items. Usually the member is advised of the meetings at his residence or his or her office address about the dates of the meetings.

In the following cases, Resolutions passed by the Board of Directors shall not be valid unless approved by the Supreme Petroleum Council or who represents it :

- 1- Changing the Company's name or moving its place within the United Arab Emirates.
- 2- Shorten or extend the Company's life.
- 3- Dissolution of the Company or its merger with another company, corporation or institutions.
- 4- Resolutions to participate in companies, corporations or institutions carrying out activities similar to those of the Company or which could assist the Company in the achievement of its objectives.
- 5- Increase or decrease the Company's share capital.

The Board deliberations and Resolutions shall be recorded in meeting minutes to be maintained in a special register signed by the Chairman and the Secretary of the Board. Such minutes shall include names of Members who attended the meeting and those who were absent. Should a Member have an objection, he/she may ask to have his viewpoint included in the minutes. Minutes of meetings shall be distributed to the Board Members.

The Board may act on any allowed business without holding meetings in the following manner:

- 1- In cases of urgency, the Members may participate in deliberations by telephone conference or by any similar communication means. Such participation shall be deemed as personal attendance at a meeting provided that the actions taken are recorded in writing.
 - 2- The Members may also participate in Board deliberations without holding a meeting for example by telex or fax to pass a written signed Resolution by majority of votes provided the quorum is complete. The Resolutions so passed shall be
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deemed passed valid in a duly convened meeting.

Source: Data Analysis