Understanding the Leadership Role of the Board Chairperson Through a Team Production Approach

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Current corporate governance recommendations—rooted in an investor-based shareholder supremacy model—often narrowly discuss the issue of board leadership as whether or not there is a separation of the CEO and chairperson positions. In this article, we employ a team production approach to better understand the leadership role of the board chairperson. We argue that effective board performance is driven by the extent to which corporate directors bring relevant knowledge into the boardroom. An important prerequisite, however, is that the knowledge must be actively used. In line with this argument, we contend that the competencies and behaviors of the board chairperson are critical in order to unleash a board’s value-creating potential.

The work of corporate leaders and board members is becoming highly regulated in many parts of the western world. Bankruptcies, corporate scandals, and skyrocketing CEO compensations have led to an increasing number of corporate governance recommendations of how to create effective boards of directors that can execute responsible and value adding corporate leadership. Most recommendations are concerned with what Finkelstein and Mooney (2003) called the usual suspects, meaning changes in board size, the number of outsiders on the board, the removal of the CEO from the chairperson position, and the shareholding of the board members. These recommendations are rooted in an investor-based shareholder supremacy model of corporate governance where shareholders are seen as the rightful principals who have the full claim of the residual. The stakes, goals, and power of other corporate actors are seen as constrains. The prescribed changes to protect shareholder interests have been to increase the independence and
The integrity of corporate board members and their ability to monitor managerial and firm performance.

The strong emphasis on the usual suspects in corporate governance recommendations has made scholars in leadership and organization behavior somewhat uneasy. Decades of research on boards and governance have consistently shown that changes in the composition and leadership structure of boards do not yield any strong results, either in improving board effectiveness or firm performance (Bhagat & Black, 2000; Dalton, Daily, Ellstrand, & Johnson, 1998; Westphal, 2002). As a result, an increasing number of scholars have started to question the underlying theories and models that dominate the field (Daily, Dalton, & Cannella, 2003; Forbes & Milliken, 1999; Huse, 1998). The most intense critique has come from management scholars, with the argument that the dominating theories and models in corporate governance treat the actual work of the board of directors as an isolated black box. This means that the board’s ability to work together as a team has been largely neglected, despite that this is a critical dimension for understanding effective board performance (Huse, 2005). Scholars have also pointed out that boards are particularly vulnerable to interaction difficulties and process losses which risk preventing them from achieving their full value-creative potential. For example, boards are relatively large groups of people who only meet episodically, something which can considerably limit the development of interpersonal relationships and reduce mutual knowledge and skill sharing in the boardroom (Finkelstein & Mooney, 2003; Forbes & Milliken). Among other things, these circumstances call for the need of effective team leadership in order to turn a group of independent board members into an interacting and collective team (Yukl, 1989). However, in contemporary studies of boards and governance, there has been almost no attention to issues such as the social dynamics of board interaction or the leadership skills of the board chairperson (Cascio, 2004). Consequently, the role and relative importance of leadership in the boardroom is a poorly understood phenomenon despite its relevance for both theory and practice.

Based on this discussion, the focus of this article is to examine the leadership role of the board chairperson. We challenge the dominant shareholder supremacy model that argues for independent board structures as the main criteria for effective boards. Instead, inspired by a team production perspective (i.e., Kaufman & Englander, 2005), we argue that effective board performance first and foremost is driven by the extent to which board members bring relevant knowledge into the boardroom. An important prerequisite, however, is also that the knowledge must be actively used and put into action. In line with this argument, we contend that the competencies and behaviors of the board chairperson are critical in order to bring out and unleash the board’s value-creating potential (Leblanc, 2005).

In the first section, we briefly outline two competing perspectives for understanding the leadership role of the board chairperson. First, we describe the dominating shareholder supremacy model with its focus on board independence, formal structural recommendations, and separation of CEO and board chairperson roles. Then, we present the team production perspective with its focus on stakeholder commitment and the active use of team members’ knowledge. In the second section, we apply concepts from team production and team leadership literature to the context of boards of directors. We identify various leadership roles of the board chairperson, and we argue that the role as a team leader and coach is the most central in order to create a potent team of directors. We continue with identifying characteristics of a constructive boardroom culture, followed by a section on how the board chairperson can lead its team of board members in this direction. It is also emphasized that the board supports organizational value creation by involvement in shaping the firm’s mission and strategies. In the third section,
we present the results of an empirical study where hypotheses about board leadership, team production, and board strategic involvement were tested. Finally, we have discussion and concluding sections where implications for theory and practice are presented.

Understanding the Leadership Role of the Board Chairperson

The Shareholder Supremacy Model for Understanding Board Leadership

The most influential perspective in research on boards and governance is the shareholder supremacy model. In this model, the firm is conceptualized as a nexus of contracts where the central issue is to construct formal rules and incentives (i.e., implicit and explicit contracts) to align the behavior of managers with the desires of shareholders (Jensen & Meckling, 1976). The corporate board members are elected agents in the service of shareholders. Close monitoring and frequent follow-ups by the board are regarded as necessary in order to see that management is conforming to the interests of the shareholders (Fama & Jensen, 1983). Therefore, it becomes important that corporate board members are independent and judgment free from the notion of self-interest in order to effectively monitor company operations.

In the shareholder supremacy model, the issue of board leadership is generally reduced to a question of whether to separate the roles of CEO and board chairperson or not (Rhoades, Rechner, & Sundaramurthy, 2001). The argument behind the need for a separation of the CEO and board chairperson roles is that the board of directors is expected to monitor the actions of top management and evaluate their performance. Underlying this debate is the issue of formal structural power. When the CEO also serves as the board chairperson, the monitoring function is seriously compromised as he or she would monitor and evaluate his or her own performance. In contrast, supporters of CEO duality have argued that the pros for combining the CEO and chairperson roles outweigh the cons as it can create a unity of command that reduces uncertainty and role conflicts in the organization at the same time as it provides a strong focus on company goals and objectives (Davis, Schoorman, & Donaldson, 1997).

However, in any case, findings from empirical research on the performance implications of separating the roles of CEO and board chairperson have been very weak and results seem to depend very much on the context of the study (Daily & Dalton, 1997; Rhoades et al., 2001). From a team leadership perspective, it appears that the current debate centers too much on formal structural recommendations at the expense of what really matters for task effectiveness: the competence, integrity, and constructive involvement of board members working together as a team. Consequently, there has been little focus on the human side of corporate governance (Huse, 2007).

The Team Production Approach for Understanding Board Leadership

An alternative perspective that has been presented in research on boards and governance is the team production approach (Blair & Stout, 1999; Kaufman & Englander, 2005). In this perspective, firms are conceptualized as a nexus of team-specific assets, invested by shareholders, managers, employees, and others who hope to profit from team production. Team production is production in which several types of resources (information, talents, skills, and visions) are used and where the product is not the sum of separable outputs of each cooperating resource (Alchian & Demsetz, 1972). In a boardroom setting, this means that the productivity of
any board member is greater as a result of the interaction with other board members. As no
corporate board member is likely to possess the full complement of information and knowledge
necessary to achieve desired goals, working as a team may permit greater productivity than could
be achieved by individual board member effort. Thus, team members complement one another
rather than serve as substitutes for each other.

The team production approach emphasizes that boards should represent stakeholders that
add value, assume unique risk, and possess strategic information relevant for firm operations
(Kaufman & Englander, 2005). The joint input of expert knowledge from these constituencies in
the strategic decision-making process is key in creating competitive advantage. This team
production perspective consequently stands in stark contrast to the shareholder supremacy model
where boards primarily are seen as representatives for shareholder interests. The general
argument based on the shareholder supremacy model is that there is a need for independent
board members, while a team production approach suggests that independent directors may risk
damaging the long-term creation of value (Kaufman & Englander). Being truly independent may
reduce the contribution of the board of directors to a minimum since it would imply an almost
complete distance and detachment from any relations with the firm. The costs of too much
independence—in terms of reduced involvement and lack of firm-specific knowledge and
understanding that comes from reduced involvement—may seriously compromise the board’s
value-creating potential (Huse, Gabrielsson, & Minichilli, 2007).

Taken together, in the team production approach, corporate boards are seen as
knowledgeable and cooperative teams with the purpose of leading the corporation and
coordinating corporate activities. However, if the board of directors should work as an effective
team, then the board chairperson must take an active role as a leader in the boardroom (Cascio,
2004). This is a question that goes far beyond the issue whether or not there is a separation of the
CEO and chairperson positions. The team production approach consequently highlights the need
for skilled and competent board chairperson leadership.

Board Chairperson Leadership

Board chairperson leadership has some specific features that should be highlighted. We
will present the leadership role of the board chairperson as compared to the CEO. While the
CEO leads employees in everyday company settings, the board chairperson is generally only
leader for the board members at the board meetings. The team has few face-to-face meetings and
often severe time constrains to work on multifaceted and complex tasks. As pointed out by
Forbes and Milliken (1999), these specific situations make boards particularly vulnerable to
interaction difficulties and put special demands on how to lead the team in order to carry on its
work in an efficient and effective manner. Consequently, the quality of chairperson leadership in
the boardroom could be predicted to have a major impact on the effectiveness with which board
members perform their duties.

The board of directors is the highest decision-making body in the organization. But, the
board chairperson is not at the top of any decision hierarchy as is the CEO. The CEO is mainly
responsible for implementation of decisions but also makes some decisions. The board
chairperson is responsible for decisions and generally not involved in implementation. A board
chairperson can settle things with his or her double vote and can also have some additional tasks
compared to the rest of the board members. But, regardless of these possibilities, the board
chairperson is part of a team with equal colleagues. Board tasks are not performed only by the
chairperson but are shared by the entire group. This means that the board chairperson, in many ways, has a greater challenge than the CEO in making things happen. The board chairperson has no instruction authority over the other board members like the CEO has over his subordinates, and the chairperson must never forget that the persons on the board are peers. The board chairperson assumes additional responsibilities, not greater authority. This means that responsibility for group effectiveness is not on the chairperson’s shoulders and that the control over decisions is not held only by the chairperson but is left to the group. The chairperson must motivate the other directors to work together to make collective contributions. The chairperson should thus perceive the group not as a set of individuals but as an interacting and collective team.

The differences between CEO and board chairperson leadership is summarized in Table 1. In sum, the leadership provided by the board chairperson resembles many of the characteristics of team leadership as described by Yukl (1989).

Table 1: Comparison of CEO and Board Chairperson Leadership

<table>
<thead>
<tr>
<th>CEO</th>
<th>Board chairperson</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountable to the board of directors</td>
<td>Accountable to shareholders and a broader set of stakeholders together with the other board members</td>
</tr>
<tr>
<td>Responsible for implementing decisions made by the board</td>
<td>The highest level of decision making in the firm together with the other board members</td>
</tr>
<tr>
<td>Placed at the top of a hierarchy (formally and socially)</td>
<td>Leads a team of equal peers (formally and socially)</td>
</tr>
<tr>
<td>Leads subordinates on a continuous basis, generally with frequent contact with subordinates</td>
<td>Leads board meetings that generally take place with infrequent intervals</td>
</tr>
<tr>
<td>Has instruction authority over subordinates</td>
<td>Does not have instruction authority over the other board members</td>
</tr>
<tr>
<td>Generally a full-time leader</td>
<td>Generally a part-time leader of the board</td>
</tr>
</tbody>
</table>

Different Roles for a Board Chairperson

Despite compelling evidence that the leadership and capabilities of the chairperson affect the work of the board of directors (e.g., Cadbury, 2002; Leblanc, 2005), the various roles that chairpersons perform are still a poorly understood phenomenon. We argue for various leadership roles of a board chairperson including that of moderator, figurehead, supporter, decision maker, strategist, and coach.

The most traditional role is the moderator. This role means that the board chairperson prepares the agenda before the meeting and then helps discussions stay productive and within the guidelines during the meeting. The role of figurehead refers to the legitimizing and that of
representing the company to external groups and actors (e.g., in contact with journalists and by using his or her network of contacts in a positive and favorable manner for the firm). A third possible role for the chairperson is as a supporter for the CEO. In this role, the chairperson may function as kind of a mentor. The chairperson gives personal advice and contributes with his or her knowledge and expertise. But, if leadership is about creating value and results through other people, none of these three roles requires any leadership skills. They are all tasks that the chairperson can handle alone.

The next two roles are the decision maker and the strategist. Both roles require that the board chairperson interacts with the other board members. But, decision making and strategies can be pursued based on personal interests and agendas, and a charismatic board chairperson can dominate board meetings without any attention to the will and skill of the other board members. However, there is an untapped potential in the last board chairperson role—the role as coach. As a coach, the board chairperson works to derive value creation through the achievement of others. He or she supports the effectiveness of the board as a whole and brings out the potential that is in the board as a team. As Leblanc (2005) pointed out, it is doubtful that a strong, engaged board will have a weak chairperson or that an ineffective board will have a strong and competent leader as the board chairperson. This will contribute positively to achieving performance and transparency in the boardroom.

Board Leadership and a Constructive Boardroom Team Production Culture

It is important to have a contingency perspective when discussing boards and governance (Huse, 2005). This also relates to board leadership. A company in crisis will demand something different from the board chairperson compared to a company experiencing high growth. A big multinational corporation will require something different compared to a small company operating on the domestic market. There are also different demands depending on the industry in which the company operates. However, irrespective of these differences, there are some general things a board chairperson can and should do in order to create a constructive team production culture that contribute to value creation. A constructive boardroom team production culture can be characterized by cohesiveness, creativity, openness and generosity, criticality, and involvement and preparations (Forbes & Milliken, 1999; Huse, Minichilli, & Schøning, 2005; Stiles & Taylor, 2002). The attributes of the team production culture can be described as follows.

Cohesiveness. The board chairperson should contribute to a cohesive culture among the board members. Cohesiveness reflects the ability of the board to continue working together (Forbes & Milliken, 1999). It refers to the degree to which board members are attracted to each other and are motivated to stay on the board. How board members interact will be affected by commonality in attitudes, values, and norms. Board members feel more comfortable working with and are more likely to trust and cooperate with those with whom they can identify. Board members who are attracted to each other will appreciate coming together for board meetings and give very high priority to being a part of the board. Cohesiveness also includes having a good atmosphere at board meetings (Huse, Minichilli, & Schøning, 2005). The board members often experience a higher level of satisfaction than in situations where there is little or no cohesiveness.

Creativity. The board chairperson should stimulate creative processes in the boardroom. Creativity may mean that the board as a team is coming up with creative proposals as well as
creative solutions to various problems (Huse, Minichilli, & Schøning, 2005). Individual board members can present issues or solutions that may not be so creative but can contribute to the understanding, reflections, and imaginations of the others, thus triggering creativity.

**Openness and generosity.** The board chairperson should work for creating a culture where all board members are open and generous towards each other. Trust and confidence are built on openness as well as on the willingness of all board members to say what they think even if it may mean being a bit critical of colleagues and their proposals (Stiles & Taylor, 2002). They should be allowed to ask questions to each other and about the firm. Board members, in an open and generous milieu, are willing to give advice based on private knowledge, ideas, and points of view and also accept and recognize that they may be wrong in their considerations. Such an open and challenging interchange among board members is a good indication of board effectiveness.

**Criticality.** The board chairperson should encourage a critical and questioning attitude in the boardroom. This means that the board members will be encouraged to find their own information and carefully scrutinize the information being provided by the CEO (Huse, Minichilli, & Schøning, 2005). It also means that the board will make decisions independent of the CEO. In this respect, criticality can be seen as partly related to the control and monitoring concepts used in the board literature, where board members have the integrity to be independent and ask challenging and discerning questions.

**Preparedness and commitment.** Finally, the board chairperson should contribute to establish effort norms (i.e., standards and structures about preparations, participation, and commitment) (Forbes & Milliken, 1999). He or she should encourage board members to make independent preparations and investigations prior to the meetings (Huse, Minichilli, & Schøning, 2005). To ask relevant questions, proper preparations have to be made; without proper preparations, there is a risk that valuable time will be spent on discussions about irrelevant figures rather than important facts. Team production also requires participation and commitment. Board members must participate in the meetings and be committed during discussions and debates. Without proactive commitment, the board will not reach its full potential.

*How to Create a Constructive Team Production Culture in the Boardroom*

Every board chairperson faces the challenge of how to create and maintain a constructive team production culture in the boardroom. What can a board chairperson do to stimulate these processes? Based on previous literature and research (e.g., Bloch, 2005; Cascio, 2004; Furr & Furr, 2005; Huse, 2007; MacAvoy & Millstein, 2003), at least some board leadership attributes and skills stand out as especially important and critical.

Clearly, a board chairperson must lead discussions in the boardroom and have the ability to formulate proposals for decisions and summing up conclusions. Board chairpersons have the primary responsibility of informing the other board members, and they must help board members focus on issues that are important and on the risks facing the corporation (MacAvoy & Millstein, 2003). However, setting the agenda is not only a matter of distributing papers on time; setting the agenda also includes setting the style and tone of board discussions to promote effective decision making and constructive debate (Huse, 2007). As a team leader, the board chairperson should be able to build consensus among board members. This means that the board needs a leader whose
primary task is to help the entire board in designing and carrying out decisions. By doing this, the board chairperson can turn the independent board members into an interacting and collective team.

Leading meetings are not enough. To create a team production culture, the board chairperson must also have the ability to motivate and use the competence from each board member, and they need an open and trustworthy leadership style. Chairs consciously or unconsciously have various leadership styles (Huse, 2007). The leadership style of the chair affects board processes and outcomes because the board is a social system that contains a mix of personalities and relationships (Cascio, 2004; Furr & Furr, 2005). It is the task of the chairperson to meld the board into a cohesive group. To achieve this, chairpersons must demonstrate leadership which infuses enthusiasm into other board members both individually and collegially. This means that the board chairperson must inspire the other board members to be active and productive team members.

In addition, it is also important that the chairperson have the ability to communicate and work with the CEO, and the chairperson should take an active part in setting the board agenda and managing the information flow to the board (MacAvoy & Millstein, 2003). He or she should also continually work to develop the working structures and processes of the board and be well prepared for the board meetings (Huse, 2007). This includes thinking through each meeting beforehand and anticipating alternative input and reactions from the various board members.

To conclude, in this section, we have argued for the role of board chairperson leadership in creating a constructive team production culture. Our review of previous literature and research suggests that some team leadership attributes of the board chairperson seem to be critical to enhancing the team production culture among the board members. From this discussion, we can formulate the following hypothesis:

\[ H_1: \text{ Positive team leadership attributes of the board chairperson are positively related to a constructive team production culture in the boardroom.} \]

**Board Effectiveness and Strategic Involvement**

A constructive team production culture in the boardroom can strengthen the roles and contribution of each team member and enhance the boards’ ability to be involved in shaping the firm’s mission and strategies (Kaufmann & Englander, 2005). A better understanding of the roles and contribution of each team member can moreover facilitate active involvement and commitment by all the members of the board (Demb & Neubauer, 1992). Thus, a constructive team production culture may support the effectiveness of the board as a whole and bring out the potential that is in the board as a team.

Board effectiveness is about how actual board task performance meets board task expectations (Huse, 2005). Various coalitions of stakeholders, in this respect, may have different and conflicting expectations on board tasks (Huse & Rindova, 2001). From a team production perspective, the consequence and responsibility for corporate board members will be a need to actively work together and use their knowledge and skills collectively to create value for the company as a whole and not only for certain coalitions of stakeholders (Blair & Stout, 2001; Rindova, 1999). Effective boards add value and contribute to the direction and performance of the firm by their involvement in strategic decision making (Forbes & Milliken, 1999; Judge & Zeithaml, 1992; Rindova). Experienced directors bring important and specialized know-how and
expertise into strategic decision making, something which is required for engaging in serious deliberations with management as well as evaluating multiple decision options (Kaufmann & Englander, 2005). When the directors work together as a team, the board enhances its collective efforts and decision-making abilities. In effect, the result of this effective team production is that proprietary know-how can be created and sustained over time. The team production perspective suggests that boards’ involvement in strategic decision making is critical in order to assist the firm to create value and sustain competitive advantage. In line with these arguments, we will use the board’s strategy involvement as an indication of board effectiveness.

Involvement in initiating and formulating strategic decisions means shaping the context, content, and conduct of strategies and not only ratifying monitoring strategic decisions (McNulty & Pettigrew, 1999). Among other things, this enables the protection of stakeholder interests through problem identification and problem definitions in the early stages of the strategic decision-making process (Rindova, 1999).

To conclude, in this section, we have argued for boards’ involvement in strategic decision making. Board involvement in strategic decision making, however, requires active engagement by the members of the board. Our discussion suggests that a constructive team production culture within the board can be expected to have a positive influence on the board’s involvement in the strategic decision-making process. From this discussion, we can formulate the following hypothesis.

\[ H_2: \text{A constructive team production culture in the boardroom is positively related to the board’s involvement in the strategic decision-making process.} \]

**Empirical Study**

In this section, we present the results of an empirical study in which our hypotheses about board leadership and team production were tested.

*Information about the Sample*

To test the hypotheses developed in this article, we designed the empirical study as a questionnaire survey. The measures were derived from a careful review of previous theoretical and empirical work on boards of directors, and several large scale pretests were conducted. In order to explore the leadership role and behavior of the board chairperson, we used responses from board members not holding the positions of CEOs or chairpersons. Questionnaires were sent to board members in firms where we had data from another survey about board task performance from 973 CEOs. The data collection took place in Norway with firms registered in Norway. The survey had responses from firms of different sizes, large as well as small. The surveys were conducted in 2005 - 2006. We received responses from 698 ordinary board members from approximately 320 different firms. An understanding of actual board behavior depends on the perception of each individual actor. Each board member response was treated as a case representing his or her individual view of reality.

An examination of responding cases compared to the initial sample shows that the responding cases included more responses from larger firms than very small firms. The boards from which we have responses are more active than the boards from which we do not have responses. Small firms in Norway have fewer board members generally speaking; for many
small firms, the boards are only formal bodies (Huse, 1990). In these firms, our survey questions were not seen as appropriate.

Measures

This section presents the variables used in the study. The items underlying each variable have been developed based on prior theoretical and empirical work by Huse (1993, 1994, 1998, 2005) and Gabrielsson and Winlund (2000). Board strategic involvement was measured as the mean of four items on a seven-point Likert-type scale ($\alpha = .81$). This measure was based on responses from CEOs and gauged boards’ involvement in each of the four stages in the strategy: initiation, ratification, implementation, and control. Board team production culture was developed in two steps. First, five variables were each constructed as the mean of three items on a seven-point Likert-type scale, corresponding to the five dimensions of boardroom team production culture presented in the literature review: cohesiveness ($\alpha = .83$), creativity ($\alpha = .77$), openness and generosity ($\alpha = .84$), criticality ($\alpha = .81$), and preparedness and involvement ($\alpha = .80$). These five dimensions were then put into a combined measure of board team production culture ($\alpha = .80$). We used this two-step approach in order to balance the weight of the different characteristics. This measure was based on responses from board members. Board chairperson leadership was measured by the mean of seven items on a seven-point Likert-type scale ($\alpha = .74$). This measure was based on responses from board members.

In addition to the main variables, we also included four control variables in the research model. The first control variable was the total number of employees as reported in the last annual report. This variable was included as larger firms can be expected to have higher board involvement in strategy (Fiegener, 2005). Due to a skewed distribution, the firm size variable was transformed using a logarithmic transformation. The second control variable was a measure of the technology level of the company. This variable was included as board members in high tech firms were expected to more actively contribute with their firm-specific knowledge to encompass the technological intricacies of the firm’s products, production, and technology (Forbes & Milliken, 1999; Kotz, 1998). We did not categorize the technology level of the company according to ISIC codes; this categorization can be misleading (Grinstein & Goldman, 2006). Instead, we used a coding made from CEOs indicating if the company was involved in high-technology production (1) or not (0). The third and fourth control variables were count variables about the number of corporate board members serving on the board. Previous research has pointed out that the number of corporate board members is associated with board effectiveness and board performance in a nonlinear way (i.e., Forbes & Milliken). The slope is initially positive as the number of board members increases but becomes negative as the number becomes excessive. To control for this, we constructed two binary variables based on the total number of directors on the board. One dichotomous variable thus indicates small boards (up to 4 corporate board members). Another variable indicates large boards (8 or more corporate board members).

Analysis and Results

Our variables and data allowed us to test the hypotheses by multiple linear regression analyses. A description of the variables used in the analysis (correlations, means, and standard deviations) is displayed in Table 2 below.
Table 2: Pearson Correlation Matrix, Means, and Standard Deviations

<table>
<thead>
<tr>
<th>Variable</th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strategic involvement</td>
<td>5.2</td>
<td>1.5</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Team production culture</td>
<td>5.0</td>
<td>.85</td>
<td>.13**</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Firm size (LN)</td>
<td>4.6</td>
<td>1.8</td>
<td>.16**</td>
<td>.01</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. High tech firm</td>
<td>.37</td>
<td>.48</td>
<td>.17**</td>
<td>.09*</td>
<td>.29**</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Small board (1-3)</td>
<td>.09</td>
<td>.29</td>
<td>-.08*</td>
<td>.01</td>
<td>-.26**</td>
<td>-.08*</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Large board (8+)</td>
<td>.25</td>
<td>.44</td>
<td>.15**</td>
<td>.03</td>
<td>.47**</td>
<td>.19**</td>
<td>-.19**</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>8. Chairperson leadership</td>
<td>5.0</td>
<td>.85</td>
<td>.13**</td>
<td>.53**</td>
<td>.07</td>
<td>.04</td>
<td>-.05</td>
<td>.06</td>
<td>-</td>
</tr>
</tbody>
</table>

As can be seen in Table 2, all correlation coefficients are less than \( r = .70 \) which, according to Nunnally (1978), is the standard threshold used to determine high correlation. Moreover, explanatory variables in both regression analyses had variance inflation factors (VIFs) between 1.0 and 1.4. Hence, we have no reason to suspect that there are any problems of multicollinearity in our dataset.

To be able to identify the separate effects of the control variables and the independent variables, we included our variables in different steps. First, we entered the control variables (step 1). This step is presented as equation I. Then, we included the three variables (step 2). This step is presented as equation II. The results of the final multiple regression analyses for both dependent variables are presented in Table 3.

Table 3: Regression Analyses

<table>
<thead>
<tr>
<th>Variable</th>
<th></th>
<th></th>
<th>Team production culture</th>
<th>Board strategic involvement</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>F</td>
<td></td>
<td></td>
<td>β</td>
<td>F</td>
</tr>
<tr>
<td><strong>Step 1</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm size (LN)</td>
<td>-.02</td>
<td>.10*</td>
<td></td>
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<td>-.02</td>
<td>7.38**</td>
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<tr>
<td>High tech firm</td>
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<td>.14**</td>
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<td>Small board</td>
<td>.03</td>
<td>.05</td>
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<tr>
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<td>1.68</td>
<td>-.02</td>
<td>7.38**</td>
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<td><strong>Step 2</strong></td>
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<td>.10*</td>
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<td>-.04</td>
<td>7.95**</td>
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<tr>
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<td>.04</td>
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<td>Chairperson leadership</td>
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<td>49.12**</td>
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<tr>
<td>Team production culture</td>
<td>-</td>
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</table>

Note. \( R^2 = .01 \) for step 1 (team production culture); \( R^2 = .05 \) for step 1 (board strategic involvement); \( R^2 = .30 \) for step 2 (team production culture); \( R^2 = .06 \) for step 2 (board strategic involvement).

* \( p < .05 \). ** \( p < .01 \).
As can be seen in Table 3, the final regression analysis for our first dependent variable shows that none of the control variables is significantly associated with a constructive team production culture. The final regression analysis for our second dependent variable shows that firm size and high tech firms are positively associated with board strategic involvement. The positive association between firm size and board strategic involvement corroborate arguments in previous research that board strategic participation is not common practice in the smaller firms (Fiegener, 2005). In addition, the positive association between high tech firms and board strategic involvement suggest that firms in high tech environments have more active involvement from board members (Forbes & Milliken, 1999). The results suggest that future research into board strategic involvement should at least include measures of firm size and firm involvement in high tech as contingency variables.

It is shown in Table 3 that our hypotheses are supported. As predicted in hypothesis 1, there is a positive and significant relation between board chairperson leadership and the team production culture in the boardroom \((p < .01)\). Moreover, as predicted in hypothesis 2, the team production culture in the boardroom is positively related to board involvement in the strategic decision-making process \((p < .01)\). Overall, the results give ample support for the leadership role of the board chairperson in creating an effective team of directors.

**Discussion of Results**

In this article, we have explored the leadership role of the board chairperson in a team production approach. We have identified various leadership roles of the board chairperson and argued that the role of a coach is important in order to create a productive team of directors. We have also identified characteristics of a constructive team production culture in the boardroom; and, based on literature and research, we have suggested how the board chairperson can lead its team of board members in this direction.

Our approach and study is novel. Few studies have explored boards from a team production and leadership perspective. However, our empirical results clearly support the hypothesis that positive team leadership attributes of the board chairperson are positively related to a constructive team production culture in the boardroom. We have also argued for board involvement in strategic decision making as a criterion for board effectiveness. Board strategy involvement can enhance the firm’s value-creating capabilities (Rindova, 1999) and improve firm performance (Judge & Zieithaml, 1992). In line with our second hypothesis, the empirical results suggest that a constructive team production culture is positively related to the board’s involvement in the strategic decision-making process. The findings, consequently, imply that team production and team leadership in the boardroom may be critical features for the creation of effective boards of directors.

**Implications for Theories of Boards and Governance**

The aim and focus of this article should be seen in light of recent developments in corporate governance research. Traditionally, research on boards and governance has been rooted in an investor-based shareholder supremacy model, emphasizing formal structures and paying limited attention to processes and relationships inside the boardroom (Gabrielsson & Huse, 2004). There is now a development in the field with scholars rapidly moving away from abstract input–output models and, instead, showing an increasing interest into the role of
leadership and behavioral dynamics in the boardroom (Huse, 2005). Two complementary streams of research seem to have influenced this development. The first stream of research has explored, mostly by semiinductive research designs, actual board behavior and has opened the black box of the boardroom in order to understand conditions for effective governance (e.g., Gabrielsson & Huse, 2004). The attention has been particularly directed towards the interactions and activities of board members and how they gain trust in each other through experience and shared social connections (Huse, 1998; Westphal, 1999). The other stream of research has argued, from a much more strict theoretical point of view, that business organizations should be conceptualized as a nexus of team-specific assets invested by shareholders, managers, employees, and others who hope to profit from team production (Blair & Stout, 1999). In this team production perspective, effective corporate boards ensure that board members have the requisite know-how to replicate and consolidate the corporation’s wealth-producing team (Kaufman & Englander, 2005).

Interestingly, results from both these streams of research point towards the need to see effective boards as cooperative teams comprised of diverse members reflecting the core capabilities of the firm. Both research streams also point towards the critical importance of effective leadership in the boardroom where a skilled and competent leader can ensure that the characteristics of an effective team are present. Building on these two streams of research, this study incorporates behavioral studies of boards and governance (Huse, 2005) with a team production approach (Blair & Stout, 1999). The result is a novel approach for understanding the role of the board chairperson in creating an effective team of directors. Based on these contributions, we believe that our study is an important step in research that seeks to better understand the role of team production and team leadership in corporate governance.

**Practical Implications**

The arguments in this article may have some implications for understanding board chairperson leadership. The findings suggest that it is not enough to be moderator, figurehead, mentor, decision maker, and strategist. If the board of directors should work as an effective team, then the board chairperson must take an active role as coach and team leader in the boardroom. The empirical results emphasize critical leadership attributes (e.g., the ability to motivate and use the competence from each board member, having an open and trustful leadership style, working very well together with the CEO, and working continually with developing the working structures and processes in the board). Together, these leadership attributes are helpful for creating an effective team of directors.

The importance of the identified team leadership attributes warrants explicit articulation that board and board chairperson effectiveness goes hand in hand. The chairperson should support the other board members and bring out the potential that is in the board as a team. He or she must have an open leadership style that allows for robust levels of discussion with contributions from all board members. The board chairperson should put effort into creating a common purpose, commitment, a set of rules, plus roles and responsibilities for the team of directors. All board members are there to contribute to the direction and performance of the company. It is the task of the board chairperson to see that this also becomes a reality.
Limitations

Some limitations of the present study should be mentioned. First, in our study, we have used a simplified model. We have used overall summarizing variables about board leadership, constructive board team production culture, and board task performance. More detailed and specific relationships are expected to be found when using more specific variables (e.g., those being used in the construction of our overall summarizing variables) (see also Huse, 2007; Huse, Minichilli, & Schøning, 2005). Second, we present a study of the leadership role of the board chairperson based on a sample of board members in firms registered in Norway. Conditions for board membership in Norway may be different compared to other national settings. In short, Norway is a small open economy which makes Norwegian business people highly exposed to international discussions and trends in corporate governance. Additional studies in different contexts should be done to test the robustness of our results. Third, despite that we have multiple respondents for some boards, we did not examine the consistency or agreement among the multiple respondents where they occur. The level of agreement about leadership and the perception of a team production culture among board members is an interesting issue to examine further. Fourth, the board chairperson leadership variable used in this study is still highly exploratory. However, this also calls for future research to work on refining and developing the scale. At best, this may lead to a standardized measure of board chairperson leadership which exhibits acceptable reliability and validity across contexts in the future.

Conclusions

Taken together, dominant theories of board and governance have not explicitly acknowledged the leadership role of the board chairperson. Most studies have emphasized the board’s formal leadership structure at the expense of guidelines for how to improve the competence, integrity, and constructive involvement of directors working as a team. Most of the time, the critical issue of board chairperson leadership has been reduced to questions about whether the CEO should be removed from the chairperson position or not. On the other hand, the few studies that have been conducted on the actual content and process of board leadership have been largely descriptive and without strong conceptual foundations. Although we fully recognize the contribution of previous studies, we think the arguments and empirical findings in this study contribute to an emerging behavioral perspective on boards and governance (Huse, 2005) based on theoretical assumptions from the team production approach (Blair & Stout, 1999; Kaufman & Englander, 2004). Hopefully, future research will use these insights to add to our knowledge of how team production and team leadership in the boardroom may contribute to organizational value creation.

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References


Appendix

Measures*

Board Strategic Involvement
(Questions answered by the CEOs): Please rate to the extent you agree with the following statements (1-7):

The board has the last year with great authority been involved in the following tasks:
- making proposals on long-term strategies and main goals.
- making decisions about long-term strategies and main goals.
- implementing decisions about long-term strategies and main goals.
- monitoring and following up decisions about long-term strategies and main goals.

Board Team Production Culture
(Questions answered by board members): Please rate to the extent you agree with the following statements (1-7):

Cohesiveness
Our board members value very highly to be together at board meetings.
Our board members have a very good internal atmosphere at board meetings.
Our board members prioritize very highly to be part of this board.

Creativity
All our board members are actively involved in discussions at the board meetings.
Our board members present many creative and innovative proposals during the board meetings.
Our board finds many creative and innovative solutions.

Openness and generosity
Our board members accept and include the risk that they can be wrong in their suggestions.
Our board members willingly give advice based on personal knowledge, ideas, and points of view.
Our board members openly and freely convey their own personal preferences and values.

Criticality
Our board members are very active in finding their own information in addition to reports from management.
Our board members are asking critical questions to proposals initiated by the management team.
Our board members are asking critical questions to information presented by the management team.

Preparedness and involvement
Our board members prioritize enough time to their board mission in the company.
Our board members are always available when board work is required. Our board members are always well prepared for the meetings.

*Board Leadership*

(Questions answered by board members): Please rate to the extent you agree with the following statements (1-7):

Our board chairperson
- is very skilful in formulating proposals for decisions and summing up conclusions.
- is very skilful in leading discussions in the boardroom.
- is very skilful in motivating and using the competence from each director.
- has an open and trustful leadership style.
- works very well together with the CEO.
- works continually with developing the working structures and processes in the board
- is always well prepared for the board meetings.

*Translated from Norwegian*