Value-creating boards in SMEs: Team production efforts

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Abstract

This study theoretically and practically contributes to show how boards in SMEs can contribute to value-creation. Furthermore, a value-creating conceptual framework is developed integrating an extended team production theory. Team production theory has its roots in law and economics, and it is an alternative to agency theory (Blair & Stout, 2001). The extended team production theory has a focus on leadership and managerial behavior, and it integrates core strategy perspectives from both industrial organization and resource approaches. We were honored that an extended version of this article recently accepted for publication in the Handbook of Research in Corporate Governance and Business Ethics (2023). In this present article, we specifically showcase to what degree boards in practice may create or destroy values within the organization and we apply a novel lens of extended team production theory to do this.

1. Introduction: Are boards creating values?

Why is it more likely that boards are destroying rather than creating values? This is the first observation made in this article. Our second observation is that boards are not teams – at least not in most cases. The third observation is that team efforts at the board level can contribute to value-creating boards. In this paper, we reflect on these observations, and we show how team production in practice may contribute to value-creating boards. We offer a value-chain framework that as a tool for board evaluations and the creation of value-creating boards. The framework follows core theories in management and leadership research. These theories have empirically been applied to studies of boards in SMEs in various research programs during the two past decades[1].

Our focus is on value-creating boards in SMEs. We define SMEs as companies that are different from large corporations. Many SMEs are single-business unit companies, and their overall company objectives are embedded in the interests and motivation of their shareholders. The overall company strategies are aimed at contributing to competitive and sustainable value-creation (Barney, 1991; Porter, 1985) for their stakeholders, including customers, shareholders, and employees as well as broader society.

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[1] The Value Creating Board research program has been particularly important. The program is documented in various books, articles and reports (e.g. Huse, 2008). Data from the Value Creating Board research instruments and surveys are available through BIRD at BI Norwegian Business School.

Our reflections on value-creating boards in this paper have developed through three of our recent contributions. These are Huse (2018) about challenges for future research and practice, Gabrielsson, Huse and Åberg (2019) about corporate governance in SMEs, and Gabrielsson, Calabro and Huse (2016) in the previous edition of the Wiley Handbook of Board Governance. We start by positioning value-creating boards in a section called dynamic understandings of value-creating boards. It contains challenges for future research and practice. In the following section, we present an overview of the status of research about boards in SMEs. Then we have a section showing contributions from the extended team production theory. Finally, we use the value chain approach to summarize our framework that have practical implications for board evaluations and the creation of value-creating boards. We will show how boards in practice may be value-creators rather than only value-distributors or value-destroyers.

2. Dynamic understanding of Value-creating boards

What do we mean when writing about value-creating boards? We started this article by asking why it is more likely that boards are creating value than destroying value. Many arguments exist that show how board are destroying values. We see a firm as a system to create values - however, value can be understood in many different ways, for example from economic, ethical, and societal/ecological perspectives. Even in economic terms, the value concept is debated (e.g., Yar Hamidi, 2019). In SMEs, the personal values of the main shareholders and their families, as well as the values embedded in the local region where the firm operates are also important to consider.

A starting point for these arguments is to emphasize value creation as a context-bound phenomenon, which requires careful attention to the unique conditions and situations of the focal firm. Following this logic, there is a risk that the interests of individuals, various sets of shareholders or stakeholders, and the company may not be aligned. Their interests may sometimes even be in conflict. It is important to identify whose values that are the most important, and for whom the boards should work to contribute to value-creation.

Porter and Kramer (2011) argue that companies and boards today are trapped in an outdated approach to value-creation. Instead, they argue that boards should have a focus on long term and shared value-creation. They argue that value-creation during recent decades has been viewed narrowly with a focus on value-distribution and optimizing short-term financial performance. This narrow view has been implemented in many of the codes and best practice recommendations of corporate governance that are used today.

In Table 1, we compare the present generally recommended characteristics of boards' behavior with value-creating behavior from the strategy and entrepreneurship literature.

	Generally recommended board behavior	*Recommended value-creating behavior*
Guidelines	Agency theory based corporate governance literature	Entrepreneurship and strategy literature
Value creation for whom	External actors/stakeholders	The entrepreneur/ the company
Value creation definition	Short term value-distribution	Sustainable value-creation
Approach	Avoiding problems	Exploring and exploiting possibilities
Risk attitudes	Risk aversion	Risk willingness
Main attention to	Finance metrics	Knowledge and capabilities
Focus activities or tasks	Control	Innovation and strategy development
Decision-making	Top-down approach	Bottom-up approach
	Decision-oriented	Process-oriented
	Hierarchy driven	Open source
Board member relations	Independent and detached: Boards as a collegium	Competence, impartial and involved: Boards as a team

Table 1. The managerial paradox

The generally recommended board behavior is described in the agency theory (Fama & Jensen, 1983) based corporate governance literature, while the value-creating behavior has a background in the entrepreneurship and strategy literature (Huse, 2007; 2018). The generally recommended behavior has typically a focus that is leading to short term value-distribution, an avoiding problems approach, risk aversion, and it advocates a main involvement in distribution and control tasks with a main attention to finance and financial metrics. This generally recommended approach suggests independent individuals as board members and decision-making using a top-down approach, being decision-oriented and hierarchy driven.

The entrepreneurship and strategy literature defines value-creation in terms of long term or sustainable value creation in the company (Barney, 1991; Porter, 1985). The entrepreneur or the company is the principal for whom values are to be created, and it is a focus on sustainable and long-term value-creation or competitive advantage. The value-creating literature has a focus on exploring and exploiting opportunities, including risk willingness and the use of knowledge and capabilities. Innovation and strategy developments are considered important board tasks, and decision-making will follow a bottom up, process-oriented and open source approach. We see boards as teams, and there will be a focus on team development.

The generally recommended board behavior in Table 1 is directly contrasting recommended value-creating behavior. Table 1 is also reflecting the arguments in Charan, Carey and Useem (2014:1) where they argue that the time has come for boards to rebalance their responsibilities. In a period with strong emphasis on corporate governance and control, value-creation and entrepreneurial behavior are often forgotten. Values are easily destroyed when focusing only on one side of the table. We need a reintroduction of the value-creating part in board and governance development. Both sides can and should be included at the same time. This is in recent strategy literature called ambidexterity and means simultaneous use of both hands, which reflects the managerial paradox of balancing both value-creating and governance activities (Huse, 1993).

We will in this paper focus on entrepreneurship to emphasize the value-creating behavior element, yet without forgetting the governance part. This is consistent with Huse (2007; 2018). Having a value-creation approach helps us address challenges boards in SMEs are facing. A value-creating board approach goes beyond finance and accounting. It integrates several disciplines, and it challenges existing knowledge with reflections about the future (Huse, 2018). Developments of value-creating boards challenge borders in topics, methods and theories. We need to approach issues we do not know, and not only make sophisticated replications of what we already know much about.

The value-creating boards approach as describe in Huse (2007; 2018) includes the use of phenomenological and holistic approaches where behavior, context and time are important elements. It builds on understanding of actors, their motivations and how they are interacting. This approach starts by arguing that boards should be involved where they add the most value and not only focus on certain sets of tasks. A value chain approach may be helpful in visualizing this logic (Gabrielsson et al, 2016; see also Huse, 2018).

An important step for contributing to value-creating boards in SMEs is the understanding of the context and the definition of values. Our awareness of context and values needs to be integrated with scenarios for the future. One important element is the digital transformation of society (Rigolini et al, 2019). This goes beyond the use of software tools for rethinking board processes and procedures, beyond the competences and mindsets of digitally competent board members, and beyond rethinking of board tasks through disruptive innovation and new business models (Bankewitz, 2016; Åberg, Kazemargi & Bankewitz, 2017). There will be in the very near future a need for rethinking corporations and value creation in the digital era. How will artificial intelligence influence boards and corporate governance? We are already now surrounded by challenges from social media, fake news, cyber security and the shared economy. The digital transformation of society is only one of the many challenges that during the coming few years completely may change our understanding of corporations and boards. Changes in the natural environment, gender equality, political and economic instability, globalization and migrations are other examples. This reality and pressure for change are not only about the future. They should get to our attention now.

With the understanding of the megatrends presented above on the one hand, it is also important to go beyond the surface. It is important to understand actors and dynamics inside and outside the boardroom (Huse, 2007). Actors are both decision-makers and resources. When understanding boards, we need to know about interactions, motivations, and the variations in the use of power. Value-creating boards build on understanding people and their value-creating potential (Huse, 2018). The strategy as well as the team and leadership literature show the importance of tangible vs. intangible resources, the importance of human, social and relational types of capital, core competencies and capabilities, and how these can be used to reach objectives and create sustainable value. These challenges are integrated in the value-creating board framework presented in this paper.

3. Boards and corporate governance in SMEs

In this paper, we focus on understanding value-creating boards in SMEs. SMEs are a heterogonous group of firms that can be defined differently depending on industry and country. However, they share some generalities when compared to large firms (Gabrielsson et al., 2019). First, the relationship between the SME and the shareholders is much closer than between the shareholder and the large firm. Shareholding is typically located in the hands of a few people, or even a single individual, who are closely involved in the firm with tight control over business operations. The centralized decision-making opens up for organizational structures that are simpler and more flexible than those of larger firms are. Second, SMEs have fewer assets and fewer people employed. This size disadvantage generates difficulties in securing financial capital, capturing economies of scale, and building up in-house competencies (e.g., Winborg & Landström, 2000), and makes them dependent on social networks and collaborative strategies as tools for contributing to their development and success (e.g., Johannisson, 2000). Third, SMEs are often single-business units who serve a relatively small share of their market. They do not dominate their respective industry, and they can often be found in market niches less vulnerable to international competition, or in new expanding markets driven by entrepreneurship and innovation.

These generalities have implications for understanding boards and corporate governance in SMEs. There is a strong link between shareholders and the firm, and shareholding and management roles are often coinciding. The direction and control of business operations rely largely on the social capital embedded in relationships with different stakeholders. The board of directors may be more or less active, and sometimes it may not be used at all. Table 2 provides a stylized overview of different types of boards in SMEs depicted in the literature (Gabrielsson et al., 2019).

	Rubber stamping board	***Investor board***	***Family board***
Key stakeholders	Founder(s) or owner manager	External investors	Family members
Role of board	Possible means for acquiring resources	Decision making arena	Inner sanctum
Board involvement in strategy	Reactive, if at all	Proactive with emphasis on financial control	Reactive with emphasis on existing problems
Board tasks	Networking	Monitoring	Advice and counsel
Chairperson profile	Figure head	Liaison	Mentor
Board meetings	Rare, if at all	Frequent	Occasional
Critical board qualifications	Social capital and relational competence	Questioning skills and analytical competence	Functional and firm-specific competence

Table 2: Core features of boards and corporate governance in SMEs: Note: Table adapted from Gabrielsson et al (2019)

Many SMEs have rubber-stamping boards that serve the interests of their founders or owner-managers (e.g., Gabrielsson & Huse, 2005). Their primary motivation to engage in venturing activities is independence and autonomy, and formal governance structures are kept to its minimum. The direction and control of business operations is largely based on trust, direct supervision, and informal communication channels, with a focus on making and selling. The board is in many ways an extended executive team used for creative resourcing to support the identification and exploitation of business opportunities. Strategy is formulated based on the vision of the founder or owner-manager, and there is limited interference from the board in this process. Important board tasks are networking and lobbying, and the board chairperson acts as the figurehead that can represent the firm in relation to external stakeholders. Value-creation in this setting refers to the generation of cash flow to maintain the venturing process and to finance possible expansion.

In contrast, some SMEs have boards that are appointed to serve the interests of external investors (e.g., Garg, 2014). The primary motivation for venturing is monetary rewards and formal governance structures, such as the board of directors, are seen as important building blocks in this process. The direction and control of business operations is based on professional management structures, where objectives are related to measurable units such as profit and growth. The board acts as an independent decision-making arena to separate decision management from decision control. The board is actively engaged in strategy making by systematically gathering appropriate information for situational analysis, with a heavy emphasis on financial control. Important board tasks are to engage in external oversight by monitoring managerial and firm performance, and the board chairperson acts as a liaison representing investors. Board meetings are held regularly as to follow up actual performance to plans. Value-creation in this setting refers to quantitative growth where shareholders expect a return on their financial investments.

Other SMEs have boards that serve the interests of the family of the main shareholders (Gnan, Montemerlo & Huse, 2015). The primary motivation for venturing is creating family legacy in the community as well as continuing the entrepreneurial tradition within the family. The direction and control of business operations is related to the creation of a safe domicile for the family, maintaining family values and traditions, and building for the future generation. The board is used as an inner sanctum to discuss business operations in relation to the family. The involvement of the board in strategy is characterized by reactive solutions to existing problems. Important board tasks are to provide advice and counsel, where the chairperson acts as a mentor or supporter for the CEO and other board members. Board meetings are held occasionally depending on the situation at hand. Value creation in this setting refers to the creation of socioemotional wealth (Gabrielsson et al., 2016), which include building family identity, maintaining family influence, and keeping the business within the family over generations.

The different types of SME-boards addressed above illustrate how elements or dimensions of corporate governance in SMEs often configure in response to powerful or influential stakeholders (Gabrielsson, 2007). However, this may limit the value-creating capacity of the firm, and some configurations may even destroy rather than create long-term values. This goes beyond seeking narrowly defined corporate governance configurations that serve and deliver value to particular stakeholders. Instead, it requires a systemic understanding of business operations, where boards take a balanced, long-term perspective on value creation. Moreover, it requires the board working together as a team to fulfil, balance and orchestrate several and possibly competing priorities, stakeholder expectations, and board tasks.

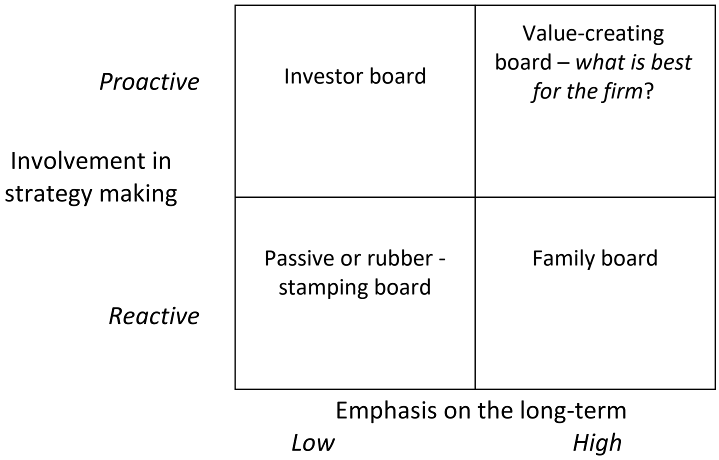

Figure 1: From passive to value-creating boards in SMEs

As illustrated in Figure 1, value-creating boards in the upper right corner meet this challenge by asking: "*what is best for the firm*" (Huse & Gabrielsson, 2012). They are proactively involved in strategy making but also recognize that the long-term survival and success of the firm dependent on the contribution and productive efforts of multiple groups or coalition of stakeholders. When developing the firm, they engage in interactive strategy processes for probing the future.

4. **When and how boards should act as teams: Team production efforts**

Boards as a phenomenon have existed for a long time, and they have a long history – probably for thousands of year However, a redirected attention to boards developed through recent corporate governance attention. Agency theory became then the bible in corporate governance. This bible is built on two core assumptions. The first is about managerial opportunism (man is a sinner) and the second is about awareness of asymmetric information. Agency theory has its roots stemming from problems caused by the separation of ownership and control in large corporations. Shareholders are typically seen as principals and managers are supposed to be the agents of the shareholders. The separation of ownership and control can due to managerial opportunism and asymmetric information, easily lead to a managerial hegemony situation, and the managers (agents) may make decisions to the best for themselves rather than for what is best for the shareholders (principals). This is a problem presented already by Adam Smith (1776), and later by Berle and Means (1932) before it was introduced as agency theory around 1980 by several scholars and particularly Jensen and Meckling (1976) and Fama and Jensen (1983). Agency theory typically prescribes three main ways to solve the separation of ownership and management problem, namely involving monitoring costs, bonding costs and residual costs. Fama and Jensen (1983) suggested that boards should be used by shareholders (principals) to monitor managers (agents). Boards are with agency theory lenses usually seen as groups of independent individuals.

There are several reasons why agency theory has gain so much impact in the corporate governance reality, but agency theory has also its weaknesses. Alternatives to agency theory as a grand theory of corporate governance have thus been sought. Stewardship theory and stakeholder theory have been presented as alternatives, but we will argue that they only contribute to minor adjustments of agency theory (e.g. Gabrielsson & Huse, 2010). Team production theory (Blair & Stout, 2001) has as, above mentioned, been presented as another alternative, and it is particularly important for understanding how boards may contribute to value creation in SMEs (Gabrielsson et al., 2019; Machold et al., 2011).

Boards should act as teams that steward the firm's value-creating stakeholders. That is the main lesson from team production theory. Team production theory has its background in the nature of the firm (Coase, 1937) and property rights theory (Demsetz, 1974[2]) and has been formulated in several contributions, mostly by Blair and Stout (e.g. 2001). Team production theory is embedded in the view of an organization as a nexus of team specific assets, where stakeholders are investing firm-specific resources with the hope of getting value from team production (Gabrielsson & Huse, 2009). It is argued that those contributing the most to value creation should be in control, and the boards will be accountable to lead the firm forward in value-creating activities, within a balanced and long-term perspective. Team production theory has a strong focus on stakeholders' commitment by seeking to promote and sustain firm-specific investments across all stakeholders that embody the firm's core capabilities (Kaufmann & Englander, 2005). In this respect, the team production model rejects shortsighted distribution rules in the favor of a particular stakeholder. Instead, the model advocates mediation across all the constituents with a vested interest in the firm (Blair & Stout, 1999) as a way to create favorable conditions for developing firm-specific bundles of unique expertise and know-how.

We argue that a team production model of corporate governance makes a better fit with contemporary thinking than agency theory. Adding to this, we have through several publications, argued for an extended team production theory (see e.g. Huse, 2018). Team production theory as presented above, has its roots in law and economics. In the extended team production theory, we integrate the law and economics approach with foundations developed in the entrepreneurship, strategy, and leadership literature. The focus in the extended version is on when and how boards should act as teams to promote and support long-term value-creation.

Contributions from entrepreneurship, strategy and leadership are indicated in the table. In entrepreneurship, there is a focus on the upside of value creation through innovation. The industrial economics approach to strategy has also a focus on identifying and exploiting opportunities. The resource-based approach in the strategy literature has a focus on how to create value by applying core competencies, dynamic capabilities, etc. The use of intangible and inimitable resources are suggested to create sustainable value creation. Porter's value chain approach also comes in here as a way to link strategic opportunities with value-adding activities and capabilities. The strategy as practice literature has a focus on understanding and regulating dynamics inside and outside the boardroom. The strategy as practice literature is a link to the team and leadership literature. The team literature will pay attention to the decision-making culture, often with a focus on processes. The leadership literature will have

[2] Original version: "Toward a Theory of Property Rights" by Harold Demsetz in The American Economic Review, Vol. 57, No. 2, Papers and Proceedings of the Seventy-ninth Annual Meeting of the American Economic Association. (May, 1967), pp. 347-359.

a focus on goal setting, coaching, motivating, mentoring, evaluating, developing, etc. The outcome of the use of the extended team production theory follows in the coming section.

Table 3. Why, when and how boards should act as teams

Team production theory: Why boards should act as teams	Theoretical background?	Law and economics
	What is a firm?	Nexus of team-specific assets
	Main purpose of a firm?	Contribute to sustainable value-creating
	Main role of boards?	Value-creation through team production
	Core actors?	Focus on stakeholder commitments
Extensions in the extended team production theory: When and how boards should act as teams	Entrepreneurship and value-creating activities?	Focus on the upside – supporting the creation of value, e.g. through innovation
	Strategy - Industrial economics inputs?	Boards should identify and be used where they add the most value, e.g. based on a value chain approach
	Strategy – Inputs from resource based approach.	Applying core competencies, dynamic capabilities, absorptive capacity and ambidexterity – tangible and intangible resources, e.g. social, human and relational capital
	Strategy as practice?	Understanding and regulating dynamics inside and outside the boardroom
	Team literature inputs?	Process-oriented decision-making culture, including involvement, openness, generosity, creativity, critical and impartial
	Leadership literature inputs?	Leadership, e.g. goal setting, coaching, motivating, mentoring, evaluating and developing

Table 3. Why, when and how boards should act as teams

5. The value chain framework as a tool for evaluations and developments

In Gabrielsson et al (2016 – in the first edition of this handbook), we discussed boards and value-creation in family firms, and we illustrated the value-creation through a value chain approach. Following the extended team production theory presented above, we will here show how an integrated value chain approach may have practical implications for SMEs in the creation of value-creating boards. We show what boards can do to create value, competencies of board members and how boards can work as teams. An integrated approach will imply that we use:

a) the value chain approach from the industrial organization literature to illustrate value-creation and board tasks (Gabrielsson et al, 2016; Huse, 2005),
b) the resource based strategy literature to show the competence possibilities (Khanna, Jones & Boivie, 2014; Schønning et al, 2018; Åberg, 2017),
c) the dynamics around board meetings may be studied from a strategizing or a strategy as practice perspective (Ees, Gabrielsson & Huse, 2009; Hendry, Kiel & Nicholson, 2010),
d) the group effectiveness and leadership literature to show actual value-creating board behavior (Kanadli, Bankewitz & Zhang, 2018; Kanadli, Torchia & Gabaldon, 2018),
e) board structures and development may be explored from a materiality perspective (Melgin, 2016; Minichilli, Gabrielsson & Huse, 2007).

Based on the below, the value chain approach is integrated in an extended team production framework that we apply within an entrepreneurial SME setting. The framework has in practice proved an excellent tool in board evaluations and board development efforts. It has been used by several board evaluation agencies, as well as in training board members. The framework is presented in Table 4.

Value chain (industrial organization)	*Inbound logistics*	*Operation*	*Strategy development, innovation and renewal*	*Decision-making*	*Risk management and control*	*Value distribution*
Board tasks (team production)	Legitimacy, lobbying, networking	Advising, supporting, mentoring	Strategic participation	Monitoring, making major decisions	Internal controls, crisis management	Output control and embedding
Board competencies (resource based)	Social and cultural capital	Human capital: knowledge and skills	Relational capital and diversity	Analytical capital	Human capital: board and business experience	Integrity and negotiating capital
Board structures and board meetings (strategy as practice)	Outside the boardroom Coordination	Outside the boardroom Board instructions	Physically in the boardroom	In formal board meetings Protocols	Between board meetings Internal control systems, incentive schemes, committees	All board members Stakeholder / ethics document
Board culture (group effectiveness)	Loyalty, identity and involvement	Openness and generosity	Process-orientation: Cohesiveness, creativity and cognitive conflicts. Team	Decision-orientation	Critical attitudes, commitment, time and availability	Independence. Board as a collegium
Board leader (leadership)	Figurehead	Mentor and supporter	Motivator: Coach and leader	Chair and strategist	Coordinator, devil's advocate and listener	Liaison and representative
Board development	Recruitment evaluation	Introductions	Development evaluation	Formalizing and digitalizing	Training and education	External evaluation

Table 4. Board evaluations: A value chain and board characteristics vocabulary*

**The empirical relationships in the table is influenced by Huse and Søland (2009) and chapter 9 in Huse 2007.*

The general argument in the framework is first to identify the chain or sequence of interlinked activities where (sustainable) values are created. In SMEs, this may be divided in inbound logistics, operation, innovation and renewal, decision-making, risk management and control, and finally value distribution logics. The table shows the value-creating potential more than how it is done in practice.

Inbound logistics

Boards should place their efforts on the tasks where they create the most value. This may mean that if the company highly depends on external resources, the inbound logistics may be particularly important, e.g. in start-ups or in firms facing legitimacy challenges (see e.g. Huse & Zattoni, 2008; Johannisson & Huse, 2000). Boards should then according to resource dependency theory (Pfeffer & Salancik, 1978) be involved in tasks as legitimacy, lobbying and networking. These efforts will normally put major requirements on the board members' social capital (Haynes & Hillman, 2010). Social capital refers here to the board members' reputation, image and how they are being perceived externally. Social capital can be seen as the sum of the actual and potential resources that can be mobilized through membership in social networks of actors and organizations (Bourdieu, 1986).

Operations

Boards may also have particular contribution to operations. They may contribute through legal questions, finance, marketing, production, digitalization, ITC, technical or engineering questions, or just to leadership in general. For such issues boards may be involved with providing functional or firm specific advice (Bankewitz, 2016; 2018). Involvement and contributions in advisory tasks depend on the human capital of the board member, i.e. the type of knowledge and skills they have, as well as the diversity among the board members (Åberg et al., 2017; Bankewitz, 2018). It also depends on a board culture reflecting openness and generosity, as well as the chairperson's leadership style (Bankewitz, 2016). Most of the advisory tasks will take place outside the boardroom, often in direct interactions between individual board members and the CEO of the company.

Board members and particularly the board chair may also have significant contribution through mentoring and supporting the CEO in other ways. Immediate and formal introductions to firm and board activities will be important. Formal board instructions should also be developed.

Strategy development, innovation and renewal initiatives

Value creation in the phases of strategic development, innovation and renewal takes place through shaping strategic decisions as well as shaping the content, context and conduct of strategy (McNulty & Pettigrew, 1999). This takes in general place inside the boardroom and often in meetings dedicated to it – sometimes "away-days". An effective board culture will be characterized by cohesiveness, creativity and cognitive conflicts. Diversity in knowledge and skills of the board members will be required (Haynes & Hillman, 2010), and their contribution is facilitated by a coaching and motivating leadership style of the chairperson (Gabaldon, Kanadli & Bankewitz, 2018) as well as from the relational capital of individual board members. Dalziel, Gentry and Bowerman (2011) distinguish between board members' human and relation capital. Human capital is about expertise, experience, knowledge and skills. Relational capital is often described as the relational dimension of social capital or the relational social capital (Bolino, Turnley & Bloodgood, 2002). We are here making a distinction between social and relational capital. We consider social capital in a macro 'influencing' perspective and relational capital in a micro and reciprocal perspective. This reciprocal perspective is in the board literature studied in terms of relational contracts (Huse, 1993; 1994) or the ability to create relational norms among the board members (Calabro & Mussolino 2013; Huse & Søland, 2009).

Decision-making

Boards will be in charge of and ratify the major decisions taken in a firm (Fama & Jensen, 1983). This will include monitoring and strategic controls. This is also something most boards are doing (McNulty & Pettigrew, 1999). Boards and board members cannot leave such responsibilities to others, not even to board committees, the CEO or the management. Boards are on the top of the organizational hierarchy, and they will be in charge of making such final decisions. Therefore, the boards also need to be decision-oriented and use tools that facilitate decision-making. Decisions that may have far-reaching consequences require analytic skills or capital among the board members.

Board leadership for decision-making should be a combination of strategist and chair roles. Strategist, because it is important to see possibilities and how to reach them. Chair, because the board in decision-making must act as a collegium and the voices from all board members should be listened to. Ratifications of decisions or strategies should thus be taken in formal board meetings, but not necessarily in the boardroom. Ratifications may also take place in properly organized and conducted virtual board meetings. Properly made protocols are important tools for value-creating decision-making.

Risk management and control

Risk management and control goes beyond cash flow. It is about risk awareness. It contains boards' involvement in operational and behavioral control. The boards' contributions in risk management can take place ex ante, in the process and ex post. Ex ante, it can be done by appointing management and by developing incentive systems and work descriptions for the CEO and management. In the process, it can be done through observations from what actually happens in the company or in the case of crisis by being directly involved in crisis management. Internal control systems should be developed, including guidelines for how to deal with information from employees, etc, e.g. how to deal with whistleblowing. Ex post, it can be done through analyses and discussions of reports – typically operational reports. Boards should go beyond reports with traditional financial metrics (Kuoppamäki, 2018). Boards will normally benefit from having members with board and business experience to perform to meet these tasks. The board culture should be characterized by critical attitudes and commitment, including time and availability, from the board members. This time of internal control may be very time consuming, and unfortunately, board members often do not plan for these activities. The board leaders should typically be a coordinator, a devil's advocate and a listener.

Value-distribution

Value-distribution is about value-creation for whom. Decisions needs to be made about how results and value should be distributed among stakeholders, including shareholders, managers and other employees. The triple bottom line, including financial, social or societal and environmental metrics, is one of the terms being used to define value-distribution (Elkington, 1999). The board is particularly accountable for the time perspective of value-distribution and to assure sustainable value-creation in the company.

Board members need to have integrity and negotiating capital, and the board culture should be characterized by independence. The boards must act as a collegium. All board members must be involved, and they must pay particular attention to that many decisions influencing them may be taken outside the boardroom or board meetings by actors that are not board members. The responsibility is still resting on the board members as a collegium. The board leader should act as a liaison and represent the company and its sustainability.

Using both hands – everything at the same time?

Ambidexterity is a word used for showing that it is possible to do more than one thing at a time. It means using both hands. Boards are supposed to put their efforts in where they add the most value. This is typically done by paying attention to all value-creating possibilities. The various sets of tasks are not exclusive. It is not a question of either control or service. In this paper, we have had a focus on boards in SMEs. It is important to understand contingencies and the board context, when designing and developing boards (Huse, 2005b). Boards may for example face different value-creating possibilities depending on the company's life cycle (Huse & Zattoni, 2008), and this may influence actual board behavior. However, a value-chain analysis contributes to find possibilities for value-creation. The vocabulary presented in this chapter, supplies us with a toolkit that may help us use both hands, i.e. combining many ways of creating values.

Board development and evaluation

We have in this paper followed the value chain. However, it is also possible to structure an analysis according to topics like tasks, competencies, culture, leader, structure, development and meetings. The various chapters in this handbook is also organized in this way – in most cases one topic for each chapter. We did also so in our contribution to the previous edition of this handbook (Gabrielsson et al, 2016). However, in the previous edition only limited attention was given to board evaluation and development.

We have indicated in Table 4 that various types of board development and board evaluation support this value chain perspective. We are suggesting three types of board evaluation and three other board development activities. The different types of board evaluations are developed and analyzed in Rasmussen and Huse (2009) for more details. Report evaluation is what typically is found in annual reports. It is written for accountability purposes, is usually addressing whether boards are meeting good corporate governance practices and the audience will be external stakeholders. Contributions to value creation and board tasks should the focus in such evaluation. The audience for recruitment evaluation is recruiters, recruiter and others that select or elect board members. Recruitment evaluation has the objective to evaluate board members and to specify the value-creating competencies needed in the actual board. Gap-matrixes are often used. Development evaluation will usually have a focus on what is (or not) happening in the boardroom. It will have a focus on board culture, board leadership and board structures. This type of evaluation has usually the objective to improve board performance with the existing board members. In Minichilli, Gabrielsson and Huse (2007) we presented in detail various ways board evaluations may be conducted. There we ask for “who does what for whom and how.”

Board evaluations often conclude in board development activities as introductions, training and seminars. The use of digital means is also emphasized in recent development initiatives.

6. Conclusions

No research is without its limitations, as is the case with this study. We have in this paper theoretically and practically contributed to show how boards in SMEs can contribute to value-creation. As a conceptual contribution to the literature, built upon the state-of-art in the literature, is it now important to collect empirical data from boards to offer new findings. Nevertheless, a value-creating framework has now been developed by means of using a novel extended team production theory lens. We have showed that SMEs have unique features, and that there are differences among SMEs. Furthermore, firms are experiencing considerable contextual differences. However, all firms are unique, but there are also similarities among firms. We will thus conclude with that the vocabulary, tools and conceptual framework presented in this paper can have significant value importance for boards in all types of firms – in small as well as large. A vocabulary may be seen as a toolkit. The words and concepts being introduced and developed in this paper do not only move forward our general knowledge about boards in SMEs. The words and concepts may act as tools for improving and developing both research and practice. They go far beyond the usual concepts in the board and corporate governance discussions, and the framing in a team production setting also contributes to how they can be used in practice. We see this framework as a powerful tool in evaluating and developing value-creating boards.

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