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Esther Solomon & Morten Huse (2019) Corporate Governance and Paradoxical Tensions: Leadership Dynamics Through Facet Theory, *International Studies of Management & Organization*, 49:3, 320-339, DOI: [10.1080/00208825.2019.1623982](https://doi.org/10.1080/00208825.2019.1623982)

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**Corporate Governance and Paradoxical Tensions:
Leadership Dynamics Through Facet Theory**

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**Corporate Governance and Paradoxical Tensions:
Leadership Dynamics Through Facet Theory**

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ABSTRACT

Relying on a sample of 841 respondents who are board members of Norwegian firms, this study applied Dr. Guttman's Facet Theory along with non-metric multidimensional scaling to propose and empirically test structural hypotheses about perceptions of boardroom dynamics. The application of this formal methodology to studying corporate governance processes offers unique insights into leadership dynamics and paradoxical tensions as board members experience them in the boardroom.

A facet framework defining the content universe formed the basis for facet profile configurations expressing classes of boardroom dynamics. Results overall confirmed the structural hypotheses and the lawfulness of a radex structure representing boardroom processes. Three facets differentiated among classes of boardroom processes in terms of whether they represent: opportunities or threats for cooperation; board asserting or acquiescing roles; and approaching or distancing orientations. These facets represented the qualitative differentiation and jointly played the polarizing role, while a fourth ordered facet on specificity played the modulator role.

Director perceptions of shared leadership and monitoring comprise enabling orientations and are differentiated from inhibiting orientations which include dominating leadership and biases. The findings have implications for director motivation and ability to engage in their monitoring and resource provision roles, or alternatively, contribute to governance inertia.

Keywords: Boardroom Dynamics, Facet Theory, Strategic Paradox, Leadership, Facet Profile Configuration, Radex, Corporate Governance

Corporate Governance and Paradoxical Tensions: Leadership Dynamics Through Facet Theory

INTRODUCTION

Corporate governance scholars have long been interested in understanding and improving decision making by boards of directors. Boards legally have the highest authority in the organization, the “apex of decision control systems” (Fama and Jensen, 1983: 311), and are widely recognized as playing critical roles in corporate governance (Lorsch and MacIver, 1989). In enacting their role, boards of directors are uniquely positioned to act as an internal adjudicator of behaviors, helping to anticipate, detect, and potentially mitigate organizational challenges. However, boards often fail to exercise their authority and are characterized by inertia.

This study relies on the definition of corporate governance as the “formal structures, informal structures, and processes that exist in oversight roles and responsibilities in the corporate context” (Hambrick, Werder, and Zajac, 2008). The two important functions of governing boards are monitoring and providing resources for the organization (Hillman & Dalziel, 2003). In performing its monitoring role, the board is responsible for evaluating the performance of executives within the firm (Dalton, Daily, Ellstrand, & Johnson, 1998; Fama & Jensen, 1983; Dalton, Hitt, Certo, & Dalton, 2007). The corporate governance literature also distinguishes between studies that focus on the ex- post monitoring and control role of the board (Daily, Dalton, and Cannella, 2003; Shleifer and Vishny, 1997) and those that focus on the ex-ante, involving advisory counseling and service (Judge and Zeithmal, 1992) and an expanded role through board

involvement in strategy.

Despite advances in research on corporate governance, many questions remain regarding leadership processes in the boardroom and factors contributing to constructive decision-making dynamics when viewing the board as a team. Some of the challenges facing scholarship and practice viewing boards as teams include a lack of insight as to how open cultures can be fostered, how to enhance the conditions motivating directors to apply their expertise and knowledge to board decision making rather than withdraw. Although a number of group processes and biases are known to operate in boards, including groupthink (Janis, 1972), undiscussability (Argyris, 1985), pluralistic ignorance (Westphal and Bednar, 2005) or group polarization (Zhu, 2013, Moscovici, and Doise, 1994), it is unclear how they interact holistically with other dynamics in boards. There is a lack of understanding as to how to overcome these and other potentially dysfunctional barriers emanating from human cognition and social dynamics. Recognition of the limitation of work to date on composition of senior teams and upper echelons has pushed scholars such as Hambrick (2007: 337) to conclude that after decades of research, “the psychological and social processes by which executive profiles are converted into strategic choices still remain largely a mystery—the proverbial black box.” This applies to both the upper echelons and research governance domains (Finkelstein, Hambrick and Cannella, 2009).

This paper addresses calls for advancing behavioral theories of corporate governance, and incorporating psychological and sociological perspectives to help better understand processes (Finkelstein, Hambrick, and Cannella, 2009; van Ees, Gabriellson, and Huse, 2009; Westphal and Zajac, 2013) so as to provide insights on how micro-

foundations of strategy interact with macro- institutional dynamics (Felin, Foss and Ployhart, 2015). This study draws upon research on corporate governance, social cognition, leadership, and strategic paradoxes (Smith and Lewis, 2011; Schad, Lewis, Raisch & Smith, 2016), adopting a socio-cognitive perspective on boardroom dynamics. It contributes to this research direction through a behaviorally informed structural approach to studying processes, enabled by the application of the formal methodology of Facet Theory.

Few studies have addressed the challenging task of studying board processes inside and around the boardroom (cf., Pettigrew, 1992). Peering inside the actual boardroom and studying such behaviors and processes is a challenge (Pye and Pettigrew, 2005), and therefore the numbers of studies that account for boardroom processes are limited to date (Forbes and Milliken, 1999; Huse, 2009; Pettigrew and McNulty, 1995; Simons, Pelled and Smith, 1999; Tuggle, Sirmon , Reutzel and Bierman, 2010; Solomon and Huse, 2015; Pugliese, Nicholson and Bezemer, 2015). Those that do, demonstrate positive relations between open and creative boardroom discussions and various aspects of task performance.

Governing is an integrative function involving multiple diverse participants and external constituent groups whose interests board members represent. These complexities and levels of analysis present challenges for researchers, as does the shifting quality of processes. This study provides a rare glimpse of a systematic study of boardroom dynamics applying the formal approach of Facet Theory to develop structural hypotheses and test them empirically on a sample of 841 board members in Norwegian firms. By examining how director perceptions of leadership and power relate to other

boardroom dynamics, including the fundamental tasks of monitoring and providing advice, this study addresses the complexities involved and provides insights into paradoxes as experienced by board members.

Facet Theory as an Integrative Methodology

Facet Theory is a formal approach to theory construction and research developed initially by Guttman, (1959, 1971) which has been applied in a variety of contexts, including the behavioral sciences and organizational studies. Viewed as a research strategy, the methodology helps integrate the formal design of empirical observations, with intrinsic data analysis procedures for the discovery of lawfulness in complex systems.

The Facet approach offers a formal way to define the content domain, in this case leadership dynamics in the boardroom through a sample of the items directly related to the mapping sentence summarizing the Facet design. It enables quantification of qualitative data to verify the lawfulness of structures. Providing the formal facet definitional framework creates the abstract semantic structure for a universe of content. The empirical test through non-metric multidimensional scaling examines the correspondence between the semantic and the empirical structure of the observations to establish lawfulness in complex areas and helps guide cumulative research.

Examples of previous applications of Facet Theory in organizational settings and related fields include orientations to innovation (Elizur and Guttman, 1976), wellbeing (Levy and Guttman, 1975) multiculturalism (Cairns and Inges, 2000), job characteristics and leadership (Clark and Payne, 2006; Solomon, 1986 a, b, 2009, 2018), virtual collaborations (Paul and McDaniel, 2004) career development (Solomon, Bishop, and

Bresser, 1986) personality (Maraun, 1997; Turkheimer, Ford and Oltmanns, 2008) and others referenced in review articles (Guttman and Greenbaum, 1998). Books providing comprehensive reviews of Facet Theory are also available, including Borg and Shye (1995), Canter (1985), Levy, (1994), and Shye and Elizur (1994).

This article makes three contributions. First, the application of the formal methodology of Facet Theory in corporate governance offers unique insights into the paradoxical tensions and tradeoffs as board members experience them in the boardroom. As paradox scholars have suggested (Lewis and Smith, 2014), there is a need for more complex, nonlinear approaches that can enable researchers to surface and address paradoxical tensions. The application of Facet Theory in studying boardroom dynamics provides a methodological innovation to governance researchers exploring complex, multidimensional areas that are not widely understood.

The second contribution is to research on processes in corporate governance, addressing the need to better understand boardroom dynamics and director motivation with implications for the phenomenon of governance inertia. The structural exploration and empirical test of the facet profile configurations help illuminate the interplay of leadership, control, and collaboration, through the lens of cognitive and psychological factors in boardroom processes. The integrated study of the various director responsibilities for monitoring and providing advice along with leadership and dilemmas in boards offers new insights into their dynamic relations, clarifying both those that are enablers and inhibitors of director involvement.

Third, this article contributes by helping spotlight that the domination by the powerful is perceived as inhibiting and stifling the expression of director voice in the

boardroom. The findings have implications for director motivation and ability to engage in their monitoring and resource provision roles, or alternatively, contribute to governance inertia.

The article proceeds as follows: we first briefly review the literature on theories providing background on leadership and paradoxes in corporate governance and socio-cognitive perspective including social dilemmas. Building on these ideas the paper then proceeds with the facet theoretic framework and structural hypotheses relating to perceptions of boardroom dynamics. Then, we present the empirical test of the structural hypotheses about perceive enabling and inhibiting orientations differentially associated with different facet profile configurations regarding shared leadership, monitoring, dominating leadership, and biases in boardroom dynamics. We conclude with a discussion of the results and their implications.

Leadership in Boards as Teams

Leadership scholars advanced the concept of shared team leadership as the appropriate style for boards of directors. Shared team leadership refers to a mutual influence process which involves collaborative decision making and shared responsibility. In this conception, team members help lead each other towards accomplishing the team goals (Day, Gronn, & Salas, 2004; Pearce & Conger, 2003). Shared leadership creates stronger bonds among members and facilitates trust, team cohesion, and commitment. A variety of individual directors, who bring along diverse expertise and perspectives are needed to perform leadership functions in different situations (National Association of Corporate Directors, 2004; Lorsch, 2009). Therefore,

previous theoretical frameworks on boards of directors proposed plural leadership forms and shared team leadership as uniquely suited for governing boards (Conger, 2009; Solomon, 2003; Vandewaerde et al., 2011; Denis, Langley, and Sergi, 2012) to enable flexibility and creative problem-solving.

Following theories of implicit leadership and cognitive categorization (Lord and Maher, 1993; van Knippenberg et al., 2004; Epitropaki and Martin 2004), it theorized that directors create leadership prototypes in their mental schema, specifying the traits and behaviors for leaders in boards. They are consistent with the shared leadership prototype, enabling information sharing, open communication, director voice, and psychological safety which are critical for team effectiveness (Edmondson, 2003; Gardner et al., 2012) and for open discussion in the boardroom.

However, when directors perceive that the powerful exercise dominating leadership in the boardroom in a manner inconsistent with the prototype, they are likely to view that as a cue of self-interested behavior, reflecting an unwillingness to share information, and a threat to cooperation. Such assessments are likely to undermine the board's moral legitimacy, defined by Suchman (1995, p. 579) as “[reflecting] a positive normative evaluation of the organization and its activities”. Dominating leadership is likely to be perceived as violating prior commitments for transparency, accountability, and director involvement in governance as a shared endeavor. It is also inconsistent with the stewardship role of director and their "duty of care," requiring boards to make decisions in good faith and a reasonably prudent manner to fulfill their fiduciary duties. Such perceptions can have a powerful delegitimizing effect (Kraatz and Block, 2008) and potentially be viewed as breach of the psychological contract (Rousseau, 1995) in the

boardroom. For directors seeking to exercise their duties, this creates tensions likely to inhibit their willingness to get actively involved and engage in comprehensive debate of real issues in the boardroom.

Paradoxes and Social Cognitions in the Boardroom

How board members experience paradoxes in their boardroom critically impacts governance processes and outcomes, yet it remains relatively unexamined. Scholars who theorized about governance paradoxes have identified a key tension between control and collaboration. Different influential theories of corporate governance have previously elaborated on either the control or collaboration aspects. Agency theory (Eisenhardt, 1989; Fama & Jensen, 1983; Hillman & Dalziel, 2003) based on economic rationality models focuses on the monitoring role of boards. Stewardship theory (Davis, Schoorman, and Donaldson, 1997) highlights the psychological and situational underpinnings, focusing on collaboration and a “more complex and humanistic model of man” Argyris (1973: 253).

Theoretical work by Sundaramurthy and Lewis, 2003 from a paradox lens addressed these perspectives focusing on the tension between control and collaboration as the main paradox in corporate governance. These authors specified challenges and potentially dysfunctional dynamics that can result from an overemphasis of either the control or collaboration aspects. This earlier theorizing provided important insights into the challenges and opportunities that these tensions represent for boards of directors.

Building on these earlier developments, this paper integrates the leadership and social cognition literatures along with paradox research. It proposes that social dilemmas

arising from domination of the powerful in the boardroom create a more consequential tension. More specifically, rather than the control collaboration, the social dilemmas associated with dominating rather than shared team leadership are likely to contribute to the tension and paradox for directors and will be reflected in the structure of perceptions.

METHOD

The Facet Design

The structural hypotheses for this study were developed by building on the research and insights from corporate governance and social psychological dynamics in leadership in the boardroom. These hypotheses in the current paper draw upon an evolving model of governance processes, which formed the foundation for the configurational hypotheses tested here. A brief presentation of the facets of that model precedes the description of the profiles and current configurational hypotheses.

A. The Facets

Four domain facets define the universe of observations for the items and the facet profile configurations of boardroom dynamics tested in this study. Among them, three facets were specified as unordered and one as ordered.

Facet A, entitled “framing” is a central dimension of differentiation. It distinguishes among boardroom dynamics in terms of whether they are perceived as an “opportunity, a_1 ” or as a “threat, a_2 ” for cooperation among boardroom participants in fulfilling their director responsibilities.

Facet B, on "assertiveness" orientation, differentiates among dynamics perceptions based on whether they reflect an active or passive role for directors. In

boardroom dynamics classified as "board asserting b_1 " directors actively exercise their authority, consistent with their fiduciary duties and their legitimate role. Alternatively, in dynamics classified as "board acquiescing, b_2 ", directors are perceived as relinquishing the power and authority associated with genuinely fulfilling the legal mandates and their leadership role in corporate governance.

Facet C on "social proximity" orientation differentiates in terms of interpersonal interactions, reflecting approaching or distancing among directors. Dynamics classified as "approaching, c_1 ," capture processes oriented to togetherness and inclusion, while "distancing, c_2 " refers to processes that separate directors, involving differences and potentially associated with alienation or conflict. There is a common order in terms of the elements of the three facets A, B, and C, from low to high degree of enabling director performance of their governance responsibilities. A value of 1 in facet element designates a favorable dynamic, a value of 2 an unfavorable dynamic. The three facets A, B, and C are specified to jointly provide the qualitative differentiation in a hypothesized radex structure.

Ordered Facet D on the "focus" of boardroom dynamics distinguishes between "general, d_1 " aspects, and "specific, d_2 " aspects. The order specification regarding its elements is presented in terms of the intensity involved, where $d_1 > d_2$. General aspects have lower intensity and are classified as d_1 , while d_2 are more differentiated in their structure of perceptions and potentially exhibit a higher degree of intensity and urgency for resolution. From the center to the periphery, this reflects more generalized to particularized schemas.

The Mapping Sentence

The Facets are integrated in the mapping sentence presented in Table 1. The mapping sentence includes the population facet, the domain facet and the range of possible responses which here is from high to low in term of the perceived presence of these characteristics in the boardroom. The common range among items comprising this universe of observations is from high to low in terms of the presence of each of these dynamics in the boardroom.

INSERT TABLE 1 ABOUT HERE

C. Facet Profile Configurations

Applying Facet Theory enables the creation of facet profiles representing configurations by combining elements from every facet. In this study, the facet profiles help differentiate among important subdomains of boardroom dynamics. In this design, the combination of the three facets A, B, and C comprise six meaningful facet profiles configurations. They distinguish among classes of boardroom dynamics as follows: “shared leadership, $a_1 b_1 c_1$ ”, “monitoring, $a_1 b_1 c_2$ ”, “differences, $a_1 b_2 c_2$ ”, “dominating leadership, $a_2 b_2 c_2$ ”, “decision biases, $a_2 b_2 c_1$ ”, and “ingratiation, $a_2 b_1 c_1$ ”.

The proposition concerning the structure of boardroom dynamics configurations is formulated through structural hypotheses. The facet profile configurations consisting of combinations of the three qualitative facets, and their correspondent elements should be visually represented in partitions of the multidimensional space.

Since the common order in facet elements is based on whether the boardroom dynamics are enabling or inhibiting for directors to perform their governance duties, the

lower numbers in facet profiles designate enabling elements, the higher numbers inhibiting ones. The most favorable facet profile configuration for director motivation to cooperate and engage would be “shared team leadership” $a_1 b_1 c_1$, and the most unfavorable profile would be dominating leadership $a_2 b_2 c_2$. Opposite sections in the radex structure would reflect incompatible configurations, while proximal regions reflect compatible configurations.

This hypothesized model of the variations among boardroom processes has two sets of facets to it. One set is the thematic differentiation consisting of the combination of three facets, which distinguish among the qualitatively different types of boardroom dynamics, radiating around the ‘core.’ The other is the ordered facet playing the axial role differentiating in terms of specificity, moving from the general, shared by all boardroom dynamics to the specific towards the periphery. This radex model was recognized by Guttman (1954) as a powerful summary of many forms of differentiation and is hypothesized to represent the integrated cognitive scheme regarding director perceptions of dynamics in their boardroom.

In advancing and testing a structural theory for the observed interrelations among the six subuniverses of boardroom dynamics, this paper proceeds from a proposed semantic structure to a statistical structure consistent with Guttman’s approach to theory construction, as follows:

The proposed theory is structural in two different respects: its content and its statistical form. We first present a semantic framework within which to view the subuniverses, in terms of a facet design. From this is predicted a certain statistical structure for the matrix of correlation coefficients. The empirical data are then examined to see whether or not they reveal the statistical structure predicted from

the semantic structure. ...Proceeding from a semantic structure to a statistical structure seems essential for relating abstract social theory to empirical research.³ (Guttman, 1959).

Sample

This study's sample consists of 841 board members of Norwegian firms. The board member responses were part of a large-scale study on value-creating governing boards, collected from Norwegian firms (Huse, 2009; Sellevoll, Huse, Hansen, 2007).

The initial sample consisted of (1) all firms listed on the Oslo Stock Exchange, (2) all other publicly traded firms, and (3) private joint stock companies with more than 50 employees. The list of companies was obtained from the Dun & Bradstreet database in 2004. In October 2005, two separate survey questionnaires were distributed to the CEOs and the chairpersons of 1,655 firms. After three rounds of postal reminders, 480 CEO questionnaires were returned, yielding a response rate of 29%, which is near the average response rate (32%) reported from similar studies surveying executives (Cycyota and Harrison, 2006).

The responses analyzed in this paper are based on the follow-up survey, collected as part of a larger study on boards of directors. This survey was conducted during 2005-2006 on Norwegian firms (Sellevoll, Huse, Hansen, 2007). The complete sample of the more extensive study, in addition to the 841 board members, also included 963 CEOs and 534 board chairpersons. It is important to note that in Norway the CEOs are prohibited from simultaneously holding the position of chair of the board of directors (i.e., CEO

³ The distinction between semantic and statistical structures, as different levels of systems of components, is made in Louis Guttman, "The Principal Components of Scalable Attitudes," and "A New Approach to Factor Analysis: The Radex," in P. F. Lazarsfeld, editor. *Mathematical Thinking in the Social Sciences*, Glencoe, 111.: Free Press, 1954.

duality), removing this feature from our sample. This paper focuses on the board member responses as a baseline for future tests of an evolving model *on* boardroom dynamics by studying specifically paradoxical tensions and leadership configurations in the context of corporate governance.

Instruments

The survey instrument consisted of a 39-item questionnaire, regarding aspects of boardroom dynamics. Board members evaluated the degree to which each item characterized interactions in their boardroom. The responses ranged from “strongly disagree” to “strongly agree” in a 7 point Likert-type scale. Table 1 in the results section includes sample items of the survey, along with the correlations among pairs of these survey items.

Data Analysis

To examine the correspondence between the structural hypotheses of the facet definitional framework and the empirical structure of its observations, this study applied the Guttman-Lingoes Smallest Space Analysis SSA (Guttman, 1968, 1971; Lingoes and Guttman, 1967) which is a nonmetric multidimensional scaling method.

The intercorrelation matrix of weak monotonicity coefficients was analyzed using the Hudap program, which provides the nonmetric, multidimensional scaling for structural analysis of similarity data (see also Shye and Elizur 1994; Borg and Shye, 1995). The SSA provides a geometrical representation that optimally fits the

empirical correlations among the boardroom dynamics items. Each item is then represented as a point in a multidimensional Euclidean space. The higher the correlation between any two items, the closer the points representing those items. SSA attempts to derive the space with the minimum number of dimensions that can adequately represent the rank order of the pairwise correlations.

The coefficient of alienation expresses the goodness of fit of a particular solution and refers to the spread in the scattergram for a given set of dimensions. The coefficient of alienation can vary between 0 and 1, where the smaller the value, the better the fit. Zero represents the perfect fit (Lingoes, 1973). Since the size of the coefficient of alienation generally decreases with the increase in the number of dimensions, SSA seeks the minimal number of dimensions that can still provide a good fit, usually a coefficient of alienation smaller than .15.

In testing the structural hypotheses, the paper examined whether the multidimensional space could be partitioned in a manner corresponding to facet definitions and order specifications. The partition lines should divide the planes into distinct regions consistent with the predicted facet profile configurations.

RESULTS

Table 2 displays the matrices of weak monotonicity coefficients representing the pairwise correlations among select questionnaire items on boardroom dynamics.

In this table, the original coefficient was multiplied by 100 and rounded into integer numbers.

INSERT TABLE 2 ABOUT HERE

To better demonstrate the results in relation to the structural hypotheses, the item intercorrelations in Table 2 are grouped under each of four Facet profile configurations. The table includes the facet profiles representing the two opposing leadership configurations, monitoring, and biases, along with sample items for each configuration.

INSERT FIGURE 1 ABOUT HERE

The geometric representation of the pairwise correlations among the 39 items is depicted in Figure 1 using the multivariate procedure of Smallest Space Analysis (Guttman, 1968, 1971; Lingoes, 1973). It depicts the two-dimensional projection of the three-dimensional solution. The coefficient of alienation representing the goodness of fit for the two-dimensional solution was 0.170 and was reduced to 0.120 for the three-dimensional solution.

Results in Figure 1 confirm the structural hypotheses, key facets, and profile configurations of the design reflected in board member perceptions on boardroom dynamics. The structure in Figure 1 indicate a "radial expansion of complexity" reflected in the intercorrelations conforming to the general order pattern of a radex (Guttman, 1954). It involves two separate orders among variables. One is a difference of degree, corresponding to the linear partitioning, while the other to a circular one. A radex representation for boardroom dynamics enables a parsimonious description of the relations among the large set of variables.

The overall structure of the data in the research project was a more complex structure, a cylindrex, which comprised a radex and an axis orthogonal to it. An

additional ordered facet entitled "power mode" corresponded to the axis of the cylindrex and it differentiated among three modes. This paper focuses on the radex structure and the four facets that help express the hypotheses on the six facet profile configurations, which are well represented in the two-dimensional projection.

In the Radex structure of Figure 1 the circular partitioning of the SSA space into wedge-like sections corresponds to the combined effect of facets A, B, and C. They play the polarizing role jointly, corresponding to the qualitative differentiation. The profile configurations composed of elements of these facets occupy distinct regions in the multidimensional space, the items in each region reflecting director perceptions of qualitatively different aspects of boardroom dynamics. A diagonal with curved arrows at each end in Figure 1 designates divisions in the multidimensional space corresponding to the distinctions by "Framing" Facet A, between "opportunities, a_1 " and "threats, a_2 ". Additionally, the SSA space can be partitioned into two zones or concentric circles according to the degree of specificity, in a manner consistent with divisions by the axial facet D.

Also marked in Figure 1 is the interpretation of the boardroom dynamics' circular representations in space, entitled a circumplex, as arranged around the two perpendicular axes. Two sets of diagonal lines with arrows at both ends represent these axes, or spokes, of the circumplex. Each axis corresponds to a coordinate of interpersonal interaction consistent with the Facet design. The purple colored axis marks the "Assertiveness" coordinate, located in the center of the Facet B region, which differentiates between processes reflecting a "board asserting, b_1 " or "board acquiescing, b_2 ," dynamics. The grey colored axis marks the "Social proximity" coordinate, located at the region of Facet

C, which distinguishes between “approaching, c_1 ” and “distancing, c_2 ” boardroom dynamics.

The partitions of the multidimensional space in Figure 1 overall correspond to distinctions among the configurations according to the facet definitions and order specifications. Different facets have unique effects on the overall structure. Perceptions are differentiated according to composite profiles of the facets indicating whether they represent opportunities or threats for cooperation, board asserting or acquiescing, and approaching or distancing orientations, and ordered by the specificity of the boardroom dynamics.

Each facet profile configuration occupies its own region in the SSA space, reflecting the a priori definitions and specifications regarding facet profile configurations, in the following order: “shared leadership, $a_1 b_1 c_1$ ”, “monitoring, $a_1 b_1 c_2$ ”, “differences, $a_1 b_2 c_2$ ”, “dominating leadership, $a_2 b_2 c_2$ ”, “decision biases, $a_2 b_2 c_1$ ”, and “ingratiation, $a_2 b_1 c_1$ ”. An advantage of using non-metric multi-dimensional scaling along with Facet Theory is the ability to examine each of the variables in relation to every other, as part of one general visual pattern. The results confirm that the shared and dominating leadership occupy two polar opposites in the radex structure, as incompatible dynamics. Other sets of configurations were predicted to be compatible with each other, in particular, the two basic board functions expressed in the shared leadership and monitoring profile configurations.

The consideration of the facets that differentiate the boardroom dynamics requires the examination of the way every variable and configuration relates to every other in a holistic way. The differentiations, therefore, need to have foundations in an

understanding of the processes that give rise to co-occurring patterns of boardroom dynamics. Within the radex model, the types of boardroom dynamics derive their specific meanings from the underlying psychological themes which they reveal, as expressed in the facet definitional framework of the study.

Incompatible and Compatible Boardroom Dynamics - the Radex

Discussed briefly below are the two incompatible leadership configurations, and two sets of compatible ones, reflecting the “enabling” orientation, and two the “inhibiting” one, respectively. Since the SSA spatial diagram can be viewed as a tension system, it can be interpreted as portraying the inter-relationships among variables in a manner that reflects the major underlying tensions experienced by boards of directors. Opposite sections in the radex of Figure 1 reflect incompatible configurations, while proximal regions reflect compatible configurations.

Incompatible Boardroom Dynamics: Enabling or Inhibiting Orientation

Shared Leadership $a_1 b_1 c_1$ or Dominating Leadership $a_2 b_2 c_2$

As demonstrated in Figure 1, the results confirm that board members perceived the “Shared team leadership” configuration as incompatible with “Dominating leadership.” These two leadership styles occupy the opposite ends of the radex structure. The dark red left region in the radex contains items of the “Shared leadership” configuration, facet profile $a_1 b_1 c_1$. The dark blue right region contains items that are part of the “dominating leadership” configuration, facet profile $a_2 b_2 c_2$. The two

leadership styles also correspond to the most dissimilar facet profiles, confirming that the structural hypotheses had an empirical correspondent in the director perceptions.

Compatible Dynamics: Enabling Orientation

Shared Leadership $a_1 b_1 c_1$ and Monitoring $a_1 b_1 c_2$

Of theoretical and practical importance for corporate governance, the findings confirmed that “shared leadership” and “monitoring” would represent compatible dynamics, occupying adjacent areas in the multidimensional SSA space in the radex of figure 1. The light red section in the lower left contains the “monitoring” configuration, corresponding to facet profile $a_1 b_1 c_2$. It is located adjacent to the “shared leadership” configuration in dark red on the left end of the radex. The study confirms that directors perceive them as complementary rather than opposing each other, and as aspects of the enabling orientation.

Compatible Dynamics: Inhibiting Orientation

Dominating Leadership $a_2 b_2 c_2$.and Decision Biases $a_2 b_2 c_1$.

In contrast, part of an inhibiting orientation, the “decision biases” configuration and “dominating leadership” occupied adjacent areas in the multidimensional SSA space in the radex of figure 1. The light blue section in the upper right contains the “decision biases” configuration, corresponding to facet profile $a_2 b_2 c_1$. It is located next to the “dominating leadership” configuration in dark blue, on the right end of the radex, corresponding to facet profile $a_2 b_2 c_2$. That supported the predictions that they would form a natural grouping with each other, perceived as inhibitors of effective governance.

DISCUSSION

Overall, the findings provided strong support for the elaborated structural hypotheses regarding boardroom dynamics in corporate boards of Norwegian firms. Results confirmed the structural hypotheses and the radex expressing the dynamic relations among classes of boardroom dynamics defined as facet profile configurations. Different facets had unique effects on the overall structure, and corresponded to partitions in the multidimensional space. Perceptions were differentiated according to composite profiles of facets indicating whether dynamics represent opportunities or threats for cooperation, board asserting or acquiescing, and approaching or distancing orientations, and were ordered by the specificity of the boardroom dynamics. Shared leadership and monitoring comprise enabling orientations, and are differentiated from inhibiting orientations that include dominating leadership and biases according to the directors' perception.

The study provides insights into the paradoxical tensions as experienced by directors in their boardroom. The findings indicate that it is the perceived culture of openness in the boardroom, psychological safety, and shared leadership orientation that enable boards of directors to engage in both their monitoring and resource provision roles. In contrast, perceived domination by the powerful and biases are perceived as inconsistent with both collaboration and control, interfering with directors' ability to constructively cooperate and exercise their legally required monitoring function. By integrating these perspectives, we elucidate the undertheorized role of directors as social actors in helping steer a firm toward addressing governance challenges. This contrasts with governance research in which scholars have primarily considered board

composition and structural reforms, drawing on economic perspectives such as agency theory.

Governance Paradoxes

Directors face complexities, opposing forces and inherent conflicts in fulfilling their governing responsibilities. On the one hand, they are required to abide by legal mandates and formally adopted policies for oversight and control and face institutional pressures for playing an active role and enabling change. On the other hand, they face external and internal pressures, including within the boardroom, to avoid potentially controversial activities such as monitoring that may lead to conflict. Additionally, they need to maintain relations, collaborate, and establish trust with powerful participants who exercise their will, to ensure the continuing flow of information, connections and other resources needed to govern adequately. This is, in fact, one of the paradoxes of governance, whereby governing boards rely for information on those whom they are supposed to monitor.

These dilemmas are expressed in the facet profile configurations of this study, which had an empirical correspondent. Interpreting the system of meaning enables connecting the spatial relationships to the underlying tensions in the socio-political and cultural context within which governing boards operate. This study helps spotlight the domination by the powerful in inhibiting and stifling expression of director voice in the boardroom, and being the source of paradox and potential dysfunctional cycles previously described (Sundaramurthy and Lewis, 2003).

Paradox scholars also suggested that more complex, nonlinear approaches are needed in order to surface and better address paradoxical tensions (Lewis and Smith,

2014). While governance from diverse disciplines focused on either control or collaboration aspects of corporate governance, this study's multifaceted conceptualization and its empirical test enabled greater precision and insights regarding the structure and complexity of the underlying dynamics as directors holistically experience them in their boardrooms. Facet Theory can be applied in future paradox studies and provide an additional methodological innovation to researchers exploring these complex, multidimensional phenomena, which are not widely understood.

Leadership and Power in the Boardroom

Governance scholars have previously theorized that, given the unique nature of governing boards, the appropriate leadership in the boardroom would be shared rather than dominating leadership style. This study actually examined the perception by board members by analyzing the multivariate model on leadership configurations associated with collaborative behaviors in the boardroom. This study hypothesized and found that dilemmas created by the domination of the powerful would be inconsistent with cooperation and shared leadership as well as monitoring.

Leadership researchers proposed that for shared leadership to occur, hierarchical leadership is inhibited (Hoch and Kozlowski, 2012). This study confirmed that indeed the two leadership configurations were perceived as inconsistent, occupying the two diametrically opposite regions in the radex configuration, reflecting their theorized incompatibility.

Furthermore, applying Facet Theory in conjunction with multidimensional scaling in testing the leadership configurations along with monitoring and decision biases helped highlight key dilemmas involved in decisions regarding corporate governance, including

the incompatibility of dominating leadership to both fundamental aspects of governance, collaboration and control.

Facet Theory in Corporate Governance

The complexities and multiple levels of analysis involved in studying corporate governance require clarity in conceptualization and appropriate measurement methods in order to capture such dynamics and advance a coherent, cumulative body of knowledge. Application of Facet Theory as a comprehensive research strategy helped address some of these challenges. In this study, facet Theory along with non-metric multidimensional scaling helped propose and empirically test structural hypotheses about perceptions of boardroom dynamics. The multifaceted conceptualization and formalization of facet profile configurations representing classes of dynamics enabled a more precise study of paradoxes in the boardroom, reflected in compatibilities and conflicts among boardroom dynamics as directors holistically experience them.

This study has limitations, which suggest future research possibilities. The survey instrument was implemented in a country where CEOs are forbidden from holding the role of chair of the board, unlike other nations, such as the United States. It is not clear how the introduction or possibility of CEO duality would alter the cognitions of the board members, and thus the board dynamics. Future work could explore duality to ascertain whether the practice meaningfully alters the relationship between collaboration and monitoring. Moreover, it would be desirable to replicate this study in other cultures to ascertain whether there is a consistency in the structures of perceptions of governing board processes.

Additional studies could also explore whether the hypotheses and facet profile configurations operate similarly, or variations may occur under different institutional environments or in different cultures. Studies have previously demonstrated differences in mindsets in diverse cultures (Aguilera, Filatotchev, Gospel and Jackson, 2008; Kriger and Solomon, 1992). Similarly, the extent to which practices or policies have been institutionalized or taken for granted (Zajac and Westphal, 2004) might also affect the degree to which the facet profile configurations and their interrelationships are confirmed, or may vary in different institutional or cultural settings.

Future research replicating this study's findings can test the validity of this framework in different cultural settings and socio-political, economic, and legal contexts. Use of the structural approach and extensions of the facet design can offer insights into tensions and tradeoffs involved in dynamics in their boardroom. The structural approach facilitated by multidimensional scaling can help explore underlying dynamics and identify parallels with other domains of social psychological research, pointing to future synergistic research directions.

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Table 1 Mapping Sentence on Corporate Governance Processes

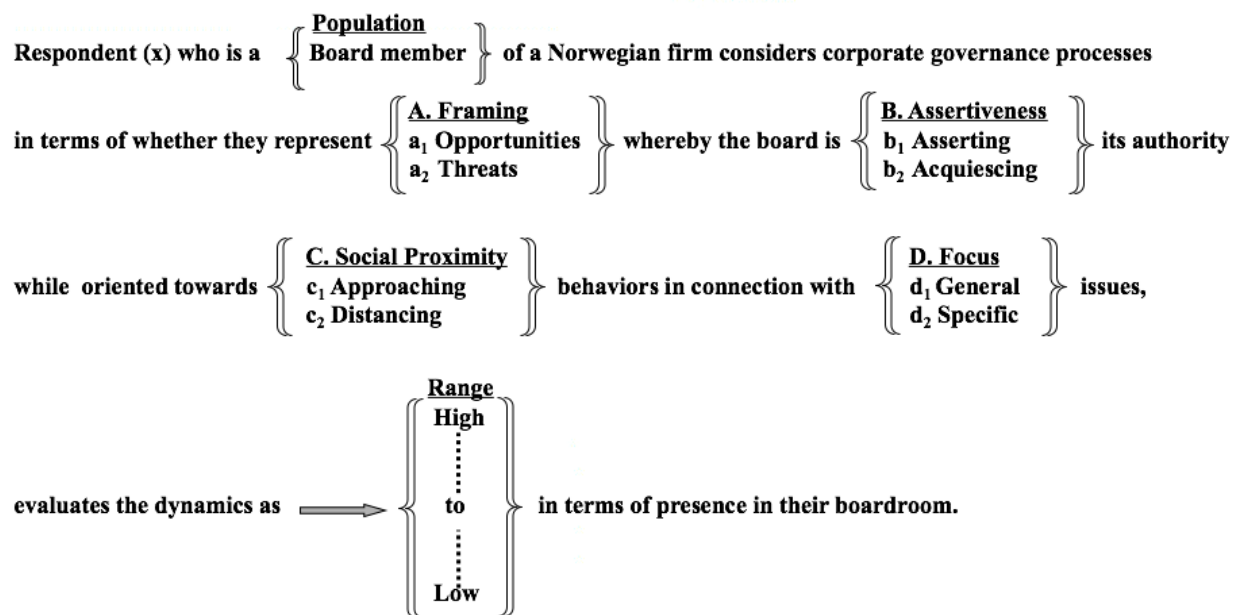
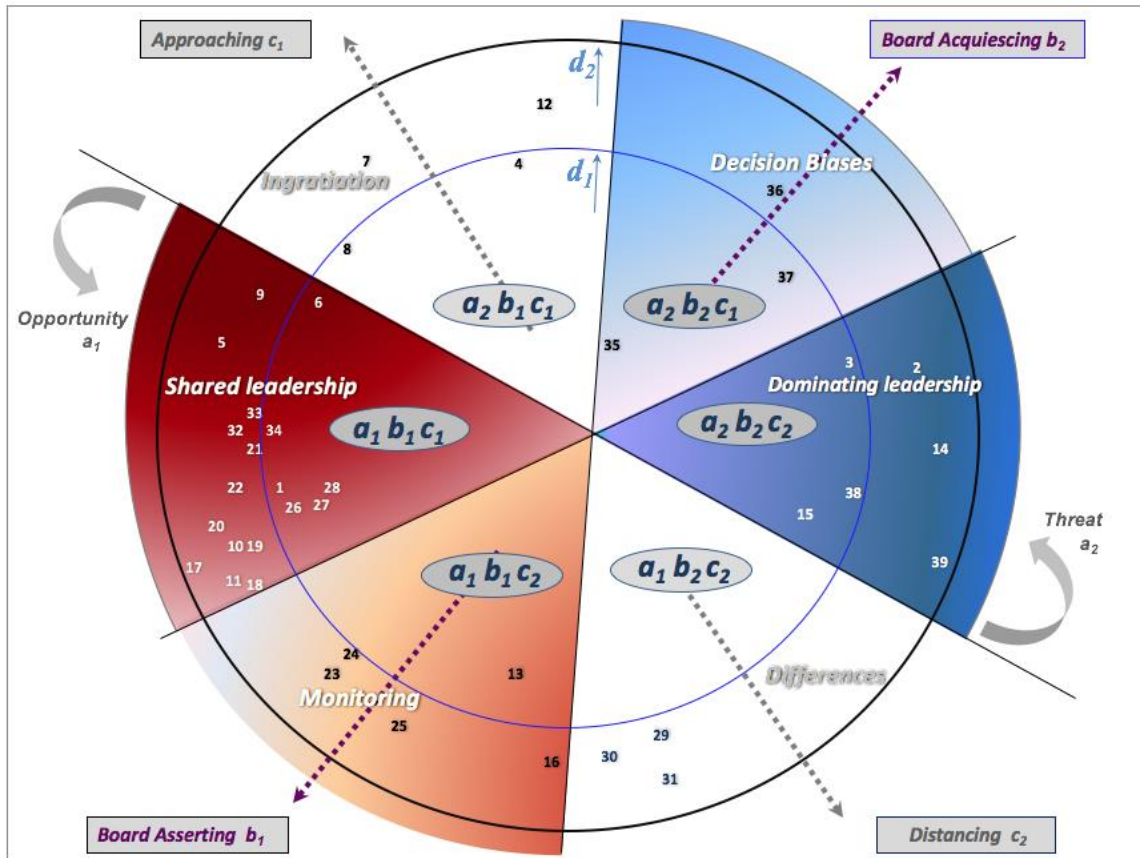


Table 2

**Monitoring and Leadership Configurations in Boardroom Dynamics:
Intercorrelation Matrix Among Sample Items**

	1	9	10	17	19	27	23	24	25	2	3	14	15	35	36	37	
Shared Leadership-Facet Profile a₁b₁c₁																	
1	In controversial decisions board listens to member with most experience and knowledge on the issue	--															
9	There is considerable emphasis on trust among board members when conflicts need to be resolved	36	--														
10	The board meetings are characterized by very thorough discussions	57	50	--													
17	All board members participate actively in board discussions	25	37	58	--												
19	Our board finds a number of creative and innovative solutions	32	37	57	56	--											
27	Our board members willingly offer advice based on private knowledge, ideas and views	35	55	52	51	49	--										
Monitoring-Facet Profile a₁b₁c₂																	
23	Our board members are very active in finding additional information re management reports	19	27	35	35	52	39	--									
24	Our board members ask critical questions regarding management proposals	28	27	50	35	44	58	67	--								
25	Our board members ask critical questions regarding information from management	24	19	41	22	37	49	64	95	--							
Dominating-Lead-Facet Profile a₂b₂c₂																	
2	In controversial decisions board listens to representatives of largest shareholders	-17	-14	-31	-10	-19	-6	-9	-14	-9	--						
3	In controversial decisions board listens to board members who hold large stakes in the company	-8	-4	-16	-6	-5	0	-5	-14	-10	6	--					
14	The board meetings are mainly dominated by the CEO	-7	-16	-28	-25	-18	-13	-9	-10	-5	23	27	--				
15	The board meetings are mainly dominated by the Board Chair	4	1	7	-16	2	4	1	1	5	22	22	40	--			
Decision Biases-Facet Profile a₂b₂c₁																	
35	Board Members often have formed an opinion on the issues before the meetings	0	10	13	18	12	31	19	24	18	12	3	8	4	--		
36	Board Members often have clear opinions on outcomes of different decision alternatives	-4	-1	-9	-2	-12	9	9	8	8	27	16	17	12	71	--	
37	Board Members most often vote in favor of a decision when the decision is positively angled.	1	9	-1	-5	-2	6	1	2	1	5	21	26	17	36	42	--

Figure 1



The Radex Structure of Boardroom Dynamics