

Towards a framework for enhancing the performance of NHS boards: a synthesis of the evidence about board governance, board effectiveness and board development

N Chambers, G Harvey, R Mannion, J Bond and J Marshall



***National Institute for
Health Research***

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Abstract

Towards a framework for enhancing the performance of NHS boards: a synthesis of the evidence about board governance, board effectiveness and board development

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Background: There is a need to reduce the variation in organisational performance across the NHS for which boards hold ultimate responsibility. By exploring how boards can add value, we hope that this research will benefit patients and improve service efficiency and effectiveness.

Objectives: We know that there are knowledge gaps in relation to the composition and characteristics of effective boards in the NHS, their impact and the range of tools and techniques available for developing effective boards. This realist synthesis study, therefore, aims to add to existing knowledge by (1) providing a theoretical contribution to board governance and relating it to the NHS context, (2) offering fresh insights into effective board composition, structures, processes and behaviours in the NHS, (3) furthering an understanding of how NHS boards can affect organisational performance and (4) summarising and analysing the range of board assessment tools and development interventions available for the NHS.

Method: The study adopted a realist approach to an evidence synthesis of a diffuse literature. In line with realist review principles, we tested, honed and refined the research questions and emerging findings with a joint expert advisory and stakeholder group of 23 people. A search was conducted across relevant library and external sources including ABI/INFORM® (ProQuest, Ann Arbor, MI, USA), SciVerse® ScienceDirect® (Elsevier, Amsterdam, the Netherlands), MEDLINE, EMBASE and the Social Science Research Network, from 1968 to 2011. A total of 618 general articles, 209 health-care-related articles, 252 textbooks and 54 reports were identified.

Results: Frameworks that have developed from theory and from practice were categorised into the three elements of composition (board structure), focus (what the board does) and dynamics (the behavioural dimension), and the potential conjunction between board theories and practices was explored. We found some important distinguishing characteristics in the public, non-profit and health-care sectors. In relation to the impact of boards on organisational performance, the importance of contingency factors was highlighted and there is positive empirical support for the role of physicians on the board. Other than self-reports, we could not find any significant studies on the impact of board development on board effectiveness.

Limitations: The study is dependent on the diverse nature of the sources of evidence and the relative infancy of the realist synthesis method. The literature is fragmented, equivocal and, at times, contradictory. We believe, nevertheless, that the study offers insights in terms of developing middle-range theories for effective health-care boards.

Conclusions: We found no simple theory about how boards should operate. The use of certain models for boards may be more appropriate than others, depending on what the priority is in terms of organisation outcome. We have identified some important distinguishing characteristics in the public and non-profit sectors. On the whole, evidence lends some further support for a theory about the dynamics of an effective board in relation to high challenge, high trust and high engagement, modified in the light of our developing understanding about the linkages between different contexts and desired outcomes. We identified five areas in which board development approaches should be more focused. We suggest three main areas for further research: the composition of NHS boards, the conditions under which health-care boards are able to exert a sustained focus on clinical quality and an evaluation of the impact of board development activities on organisational performance.

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List of abbreviations

CEO	chief executive officer	NIHR	National Institute for Health Research
CQC	Care Quality Commission		
EFQM	European Foundation for Quality Management	NPO	non-profit organisation
FT	foundation trust	PPESTT	Political, physical, economic, social, technological and trade environments (strategy development tool)
GRRF	Governors' Role And Responsibility Framework		
IHI	Institute for Healthcare Improvement	SSRN	Social Science Research Network

Scientific summary

Background

There is a need to reduce the variation in organisational performance across the NHS (e.g. as measured by the quality and safety of care provided, and by efficiency and productivity), for which boards hold ultimate responsibility. By exploring how boards can add value we hope that this research will benefit patients and improve service efficiency and effectiveness.

We know that there are knowledge gaps in relation to the composition and characteristics of effective boards in the NHS, their impact and the range of tools and techniques available for developing effective boards. This study therefore aims to add to existing knowledge by:

1. providing a theoretical contribution to board governance and relating it to the NHS context
2. offering fresh insights into effective board composition, structures, processes and behaviours in the NHS
3. furthering an understanding of how NHS boards can affect organisational performance
4. summarising and analysing the range of board assessment tools and development interventions available for the NHS.

Objectives

- Objective 1: to explore the main strands of the literature about boards and to identify the main theoretical and conceptual frameworks.
- Objective 2: to understand to what extent the experiences of NHS boards match these theories and to provide an explanatory framework for understanding the characteristics of effective boards in the NHS.
- Objective 3: to assess the empirical evidence relating to how NHS boards can contribute to organisational performance.
- Objective 4: to map and evaluate different approaches to board development including diagnostic tools, models of assessment and facilitation.

Methods

The study adopted a realist approach to an evidence synthesis of a diffuse literature relating to boards and organisational performance, with particular reference to health-care boards and with special emphasis on the NHS. We searched the literature using and linking key terms. A search was conducted across relevant library and external sources including ABI/INFORM® (ProQuest, Ann Arbor, MI, USA), SciVerse® ScienceDirect® (Elsevier, Amsterdam, the Netherlands), MEDLINE, EMBASE and the Social Science Research Network, from 1968 to 2011. Abstracts and summaries of identified references were reviewed to test for relevance and to eliminate duplication before selecting a smaller number for closer scrutiny and sifting.

The review method was based on principles of realistic evaluation in which the focus is on reviewing complex social interventions. It seeks answers to the questions, '*What works, for whom, in what circumstances, in what respects and why?*' It engages stakeholders throughout the process. In this case we convened a joint advisory and stakeholder group to support the development of the research questions and testable propositions and to check emerging findings.

Results

Theories about boards

We explored the main theories about boards in the general literature and developed a framework for interpreting each of the theories according to different contextual circumstances.

Board practices

We explored the different frameworks that have developed from theory and from practice and categorised them into the three elements of composition (board structure), focus (what the board does) and dynamics (the behavioural dimension). We then began to explore the potential conjunction between board theories and practices; this indicates the potential consequences of the adoption of particular views about the role of the board, the composition of the board and sets of board behaviours.

Non-profit, public and health-care boards

We have concluded that the theories and frameworks for boards in general all have some relevance and utility for health-care boards. There are, however, some important distinguishing characteristics in the public, non-profit and health-care sectors, including social enterprises:

- Social performance (public value) as well as financial performance is a core purpose.
- Non-profit board members sometimes invest more of their time and are more predisposed to 'managerial work' than their for-profit counterparts.
- Public boards may suffer from 'institutional isomorphism'. This is, in general, a pressure to conform to prevailing social norms and, in this case, refers to the practice of copying governance structures, rituals and procedures from the private sector without regard for their fitness for purpose for the public sector.
- Accountabilities on public boards may be blurred as a result of the influence of political patronage and the subversion of formal authority.
- Health-care governance of individual organisations is increasingly embedded within a complex superordinate and subordinate governance network, which stretches across organisations that are interdependent in a health-care system.
- The existence of hybridised corporate and philanthropic models of governance.
- There is relatively little involvement in the setting of strategy as opposed to the endorsement of strategy.

Contingency and evolutionary theories

Many authors argue that board practices do vary according to circumstances, in both the private and the public sectors. As well as national, geographical, cultural, market, organisation size, sectoral and service differences, the following are often mentioned as key variables:

- organisation life cycle (start-up, mature, decline)
- stability compared with transformation or crisis
- degree of professionalisation.

Choosing the appropriate mechanisms (whether it be around board composition, board focus or board behaviours) to achieve the desired outcomes appears to be important according to the particular situation. For example, for stable organisations, increased monitoring and a strengthened rein on a powerful chief executive officer (CEO) if he or she has been in position for some time may be indicated (in accordance with agency theory), in contrast to a focus on boundary spanning and on the external environment (in accordance with resource dependency theory) in circumstances of turbulence and threat.

Boards and organisational performance

In this section we specifically examined associations between boards and organisational performance. In the general references (not relating to health care specifically) we found that most academic papers were focused on performance in financial terms. The findings are therefore of direct relevance but can offer only

partial enlightenment for the non-profit and public sectors, including for social enterprises. The findings from the general literature can be summarised as follows:

- Contradictory evidence. There was evidence of positive and negative associations or no effect in terms of overall impact of governance on performance and for specific aspects of governance studied (e.g. board size, duality, gender and ethnic diversity) within statistical analyses.
- Contingent nature of relationships between key variables. In relation to gender, it generally appears that gender diversity has a positive impact on performance in firms that have otherwise weak governance, as measured by their ability to resist takeovers; however, in firms with strong governance, greater gender diversity may result in overmonitoring and reduce shareholder value. Second, in relation to the length of tenure of outside directors, outside director tenure is positively related to performance, with the accumulated learning and power effects of long tenure enabling directors to be more effective in their various governance roles; however, these benefits diminish as tenure increases. In relation to board strategy, board independence (i.e. majority of outside directors) has a significantly more positive effect on performance for firms pursuing a strategy of cost-efficiency than for those pursuing a strategy of innovation. Boards need to reflect on their own strategy in determining the level of independent input needed.
- There is some evidence to suggest that the benefits accrued by larger boards, particularly in relation to increased monitoring, are outweighed by higher agency costs, informational asymmetry and communication and decision-making problems.
- Improved monitoring can come at a cost of weaker strategic advising and greater managerial myopia. Firms with boards that monitor intensely exhibit worse acquisition performance and reduced corporate innovation.

In relation to the health-care-related literature, we found the following:

- Studies comparing corporate and philanthropic models of governance suggest that corporate models are associated with increased operational efficiency, increased market share and increased volume of adjusted admissions. Hospitals with a corporate governance configuration (i.e. smaller, narrow membership, greater management participation, strategic focus, scrutiny of the CEO, competitive positioning) were more likely to respond to major change by diversification or merger and less likely to experience closure.
- With regard to high-performing hospitals, they have a quality subcommittee; they have greater expertise and formal training in quality; quality is reported as a higher priority for board oversight and CEO performance evaluation; boards are significantly more familiar with current performance and significantly more involved in reviewing quality data; and more time is spent on clinical quality at board meetings (greater than the time spent on financial performance).
- Board practices that are associated with better performance in processes of care and mortality include having a board quality committee, establishing strategic goals for quality improvement and having physician involvement on the board. Key mechanisms linked to these board practices are signalling a visible and steady board leadership for quality; effective organisational structures for overseeing quality; and will–execution–constancy of purpose.
- Boards of high-performing hospitals are more fully engaged in key governance processes and the prevailing governance culture is more interactive and proactive.
- Health-care governance failings in the UK and USA are associated with boards having a comparative lack of focus on clinical performance and outcomes and a preoccupation with financial matters, or indeed not being sighted on the latter. There were also organisational culture issues including lack of grip by the board either on undesirable management behaviours or on management performance.

Board development

There is some evidence that investment in board development affects organisational performance (e.g. improved board member confidence, greater board engagement and challenge, better financial results) but there is comparatively little definitive to report. We have identified four main stages in the organisational life cycle that affect choices about the focus for board development. These are start-up, growth, maturity and decline.

We are at the stage of being able to map the range of interventions and their relevance in relation to context, mechanism and (desired) outcome configurations. This is an advance on existing guidance for boards, which is generally predicated on there being one best way. There are some clues in relation to the importance of the role of an external facilitator in board development. What is not possible is to determine the effectiveness of board interventions as there are no significant studies on this, other than self-reports. There is thus a lack of any underlying empirical basis for the tools and a lack of evaluation of the impact of the interventions.

Conclusions

Understanding about boards in the NHS context

There is not a simple theory about how boards should operate. We have outlined a realist-based framework of board theories, contextual assumptions, mechanisms and intended outcomes. This suggests that the use of certain models for boards may be more appropriate than others, depending on what the priority is in terms of organisation outcome. We have identified some important distinguishing characteristics in the public and non-profit sectors, including for social enterprises. We have identified some support for the theory of high trust, high challenge and high engagement but with less empirical evidence to support the first part of this triadic framework.

Effective board composition, structures, processes and behaviours in the NHS

In the health-care sector we found evidence of the importance of appropriate organisation–environment linkages, increasing embeddedness of health-care governance as part of complex superordinate and subordinate governance networks within and across institutions, hybridised corporate and philanthropic models of governance and little involvement in the setting of strategy as opposed to the endorsement of strategy.

The following are often mentioned as key variables:

- organisation life cycle (start-up, mature, decline)
- stability compared with transformation or crisis
- degree of professionalisation.

Choosing the appropriate mechanisms (whether it be around board composition, board focus or board behaviours) to achieve the desired outcomes appears to be important according to the particular situation.

Understanding about how NHS boards can affect organisational performance

Evidence from empirical studies indicates the importance of taking into account the internal and external environment in the choices that boards make about diversity, board size, proportion of insider and outsider directors, strategic focus and the balance of time spent on advisory/partnering as distinct from monitoring functions. In addition, there was some contradictory evidence and contingent relationships between variables, indicating some demiregularities (e.g. gender diversity is advocated in some circumstances, such as the need for improved monitoring, and not in others). On the whole, the evidence lends some further support for a theoretical framework about the dynamics of an effective board in relation to challenge, trust and engagement, but modified in the light of our developing understanding about the linkages between different contexts and desired outcomes. Although a theoretical position is available on the issue of trust on boards, there is less empirical evidence to support this part of the proposed framework.

Board development tools, techniques and interventions

We identified five areas where board development approaches should be more focused. First, we found an inadequate focus on the existence of competing board theories and models. Second, in relation to the social purpose of health-care organisations, board development may not be giving primacy to developing the skills of the board in addressing clinical quality. Third, in the balance of board tasks, we did not find that

board development frameworks drew sufficiently from the elements of fiduciary, strategic and generative governance. Fourth, there is an inadequate focus on contingency thinking. Finally, the evidence suggests that boards in some circumstances may do well to focus strongly on strategy. We could not find much evidence of an emphasis on developing the quality of strategic thinking and decision-making by boards in board development programmes.

Areas for further research

We suggest three main areas for further research:

1. We would recommend further empirical studies on the question of the composition of NHS boards, replicating some of the studies that we have analysed that have taken place outside the health-care sector. This would include questions on board size and the issue of the philanthropic compared with the corporate model, the proportion of non-executive directors (lay members) compared with managers, length of tenure, diversity and the background and expertise of non-executive directors. This would offer an evidence base for the first time around board composition for the NHS.
2. Our analysis on non-profit and health-care boards leads us to an understanding that NHS boards do have social performance (public value) as well as financial performance as a core purpose, but permission for an overarching focus on clinical quality may only just be emerging. We recommend a study to complement the mainly US studies that identifies the conditions under which this focus on clinical quality, encompassing clinical effectiveness and patient experience as well as patient safety, is allowed to flourish.
3. We could not find studies that evaluated the impact of board development tools, interventions and programmes on organisation outcomes. We therefore recommend further research that investigates associations between board development activities and organisational performance, and the role of external facilitation, mindful of the mediating effect of different health-care system contexts. This would offer an understanding for the first time of the contribution of board development to higher organisational performance.

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The National Institute for Health Research Health Services and Delivery Research programme.

Chapter 1 Introduction, approach, rationale and method

Introduction

How boards set direction, exercise control and shape culture in their organisations is once more in the spotlight with the high-profile failure of Barclays Bank PLC to rein in their traders and their senior staff, and the hugely missed opportunity of G4S to employ sufficient security staff to support the Olympics.¹ In the NHS, the Kane Gorny case at St George's Hospital in Tooting² illustrates that despite the architecture of governance, including extensive board oversight and a full panoply of clinical risk management arrangements, organisations, including illustrious teaching and research institutions such as St George's Hospital, that have been established to care for patients can still do them harm. Desperate for water, Kane Gorny rang 999 from his hospital bed. The ward staff mistook his medical condition for an attention-seeking mental health problem, with fatal consequences.

Interest in how boards can control and influence organisations as complex as those that make up the NHS is likely to continue, and indeed increase, particularly in the light of recent failings in patient safety, the events at Mid Staffordshire NHS Foundation Trust and the forthcoming findings from the Francis Inquiry and the Quality, Innovation, Productivity and Performance (QIPP) agenda, and as the scale of efficiencies required begins to bite. There is a need to reduce the variation in organisational performance across the NHS (e.g. as measured by the quality and safety of care provided and efficiency and productivity), for which boards hold ultimate responsibility. By exploring how effective boards can add value it is hoped that this research will both benefit patients and improve service efficiency. In the wake of the publication of the first Francis report³ into the failings at Mid Staffordshire NHS Foundation Trust, the chief executive of the NHS has emphasised the role of boards as guardians of patient safety. The NHS Confederation, which represents the NHS board member community, has expressed the need for more detailed analysis of the complex issues around the cultures and characteristics of boards.⁴

There are some clues from a selective literature review about what boards in the wider UK public sector might do well to pay attention to.⁵ There is, for example, evidence that smaller boards with well-functioning subcommittees are associated with better performance. Board focus on the three areas of strategy, use of resources and talent management appears to be important. Board dynamics is emerging as a significant element, with a triadic proposition of working relationships that combine the three elements of (1) high trust between board colleagues, (2) high challenge by non-executives to executive proposals and (3) high levels of engagement in and out of board meetings.⁵ The energy and expertise of non-executive directors are argued to be important in partnering with managers to shape strategy and in tracking performance.⁵ These programme or middle-range theories around the structure, focus and dynamics of boards are examined in more detail within the review reported here.

As the latest wide-ranging structural reforms in the NHS bed down, we envisage that the findings of this evidence synthesis will also be highly relevant for clinical commissioning consortia as they begin to enact their own governance arrangements. The study uses and builds on a developing body of knowledge in relation to health-care governance, organisational culture and performance, which have been the subject of other funded National Institute for Health Research (NIHR) studies (e.g. Sheaff *et al.*,⁶ Davies *et al.*,⁷ and Mannion and House⁸).

The approach that we have taken is a theory-based realist review emanating from our judgement that the effectiveness of boards is likely to be highly context dependent. We start from an exploration of theories and frameworks about boards in general, including underlying assumptions about their purpose, composition,

role and behaviours. We then examine the literature relating to non-profit, state and health-care boards to ascertain sectoral or domain-specific distinguishing contextual features. We proceed to analyse the available guidance for boards to determine the experiences of boards, the dominant discourse and the gaps as a result of certain ideas and theories being foregrounded. We examine and assess the empirical evidence for the effect of boards on organisational performance and end with a mapping and assessment of board development approaches. Our conclusions offer the beginnings of an explanatory framework for use by NHS boards and identify areas for further research.

The four objectives of this literature synthesis are:

- objective 1: to explore the main strands of the literature (e.g. in corporate governance, behavioural economics, organisational studies, organisational strategy, organisational psychology, public management, health-care management) about boards and to identify the main theoretical and conceptual frameworks that relate to the structure, purpose, functions, behaviours and effectiveness of boards
- objective 2: to understand to what extent the experiences of NHS boards match these theories and to provide an explanatory framework for understanding the characteristics of effective boards in the NHS
- objective 3: to assess the empirical evidence relating to how NHS boards can contribute to organisational performance
- objective 4: to map and evaluate different approaches to board development including diagnostic tools, models of assessment and facilitation, and to identify how these approaches relate to theories about board effectiveness and their impact on organisational performance.

Approach

The study is an evidence synthesis of a diffuse literature relating to boards and organisational performance with particular reference to health-care boards and with special emphasis on the NHS. A literature review on board effectiveness commissioned for the NHS Institute for Innovation and Improvement⁹ concluded that:

there is no agreement among researchers on the best framework for identifying, measuring and discussing characteristics of effective boards ... There has been a lack of clear definition of concepts and a reliance on incomplete research models. This means that there is little convergence on terminology, definitions and findings.

p. 5

The terrain is characterised by some complexity in terms of the multiple locations of the evidence across different disciplinary traditions, by weakness and ambiguity in terms of association and causation (and direction of causation) and by the influence of contextual factors on board characteristics, performance and effectiveness. Given this complexity, a conventional systematic review, with its emphasis on a hierarchy of evidence and randomised controlled trials as the research design of choice to address questions of effectiveness, would not be appropriate. Indeed, a traditional systematic literature review would almost certainly be unable to take account of the multiple and interconnected variables that influence boards and their performance.

A realist angle on the other hand emphasises the contingent nature of the evidence and addresses questions about what works in which settings, for whom, in what circumstances, how and why.¹⁰ It is suited to the investigation of complexity for evaluations of either complex interventions or complex causal pathways.¹¹ Given that boardroom practices have been described as a 'black box',⁹ this seems a sensible approach to take: the study aims to open that 'black box'. A realist synthesis also emphasises an iterative approach between programme theory and predicted theory and we therefore chose this for our overarching research design. Jagosh *et al.*¹² offer useful definitions of terms used in realist reviews and a summarised version is provided in *Box 1*.

BOX 1 Terms used in realist reviews

Middle-range theory: Middle-range theory is an implicit or explicit explanatory theory that can be used to assess programmes and interventions. 'Middle range' means that it can be tested with the observable data and is not abstract to the point of addressing larger social or cultural forces (i.e. grand theories).

Context–mechanism–outcome (CMO) configurations: CMO configuring is used to generate causative explanations pertaining to the data. The process draws out and reflects on the relationship between context, mechanism and outcome of interest in a particular programme. A CMO configuration may pertain to either the whole programme or only certain aspects. Configuring CMOs is a basis for generating and/or refining the theory that becomes the final product of the review.

Context: Context often pertains to the 'backdrop' of programmes and research. Examples of context include cultural norms and history of the community in which a programme is implemented, the nature and scope of existing social networks, or built programme infrastructure. They can also be trust-building processes, geographical location effects, funding sources, opportunities or constraints. Context can be broadly understood as any condition that triggers and/or modifies the behaviour of a mechanism.

Mechanism: A mechanism is the generative force that leads to outcomes. It often but not always denotes the reasoning (cognitive or emotional) of the various actors in relation to the work, challenges and successes of the partnership. Mechanisms are linked to, but not synonymous with, the programme's strategies (e.g. a strategy may be a rational plan, but a mechanism involves the participants' display of responses to the availability of incentives or other resources). Identifying the mechanisms advances the synthesis beyond describing 'what happened' to theorising 'why it happened, for whom and under what circumstances'.

Outcomes: Outcomes are either intended or unintended and can be proximal, intermediate or final. Examples of intervention outcomes are improved health status, increased use of health services and enhanced research results.

Demiregularity: Demiregularity means semipredictable patterns or pathways of programme functioning. The term was coined by Lawson¹³ who argued that human choice or agency manifests in a semipredictable manner – 'semi' because variations in patterns of behaviour can be attributed partly to contextual differences from one setting to another.

Adapted from Jagosh J, Macaulay AC, Pluye P, Salsberg J, Bush PL, Henderson J, *et al.* Uncovering the benefits of participatory research: implications of a realist review for health research and practice. *Milbank Q* 2012; **90**:311–46. Copyright © 2012 John Wiley & Sons, Ltd. Reproduced with permission of Blackwell Publishing Ltd.

Realist synthesis belongs to the family of theory-driven inquiry. This is an approach rather than a strict technical procedure.¹⁴ It starts with knowledge and theory and ends with more refined knowledge and theory, along the way 'stalking and sifting' ideas and empirical evidence. It continuously searches for and refines explanations of programme effectiveness.^{10,14} It draws from Campbell and Russo's¹⁵ notion of organised distrust and ambition to secure methodological advances and trustworthy reporting (p. 143). In our case, the synthesis addresses, in particular, questions about how boards operate, in what circumstances and why, the influence that boards may have on organisational performance and the appropriateness and relevance of tools and techniques for board development. The focus is therefore very much on mechanisms rather than on boards per se. Realist review learns from, rather than controls for, real-world phenomena, thereby providing an acknowledgement, for our study, that no two boards are the same in human composition, context or stage of development.

The limitation of realist synthesis is that it is a method which is still in development with a relatively small number of studies under its belt and there can be shortcomings in investigations of context–mechanism–outcome configurations, some confusion between context and mechanism and a lack of a proper explanatory focus.^{11,14,16} Standards for realist and meta-narrative evidence syntheses (Realist and Meta-review Evidence Synthesis: Evolving Standards; RAMESES) are under development and are not due to be published until 2014.¹⁷ However, from the reviews and literature published to date, it is an approach that appears to address the limitations of more traditional systematic review methods when dealing with complex social

interventions across different circumstances, with varying underlying beliefs and assumptions.¹⁸ Its focus is on offering explanations rather than judgements and developing principles and guidance rather than making rules. For the purposes of this review, we believe that this is a more appropriate course of action to take – it will offer insights for practitioners to take note of and make use of and will offer a valuable addition to the armamentarium currently available to members of NHS boards.

In considering alternative approaches we are mindful of an analysis of alternative approaches to systematic review (*Table 1*) which underlines that only realist synthesis meets the criteria for focusing on mechanisms rather than whole programmes. In our case, this allowed us to look at discrete aspects of boards (composition, methods of working, governance arrangements and so on) rather than having to consider ‘the board’ as the overall unit of analysis.

One of the principles of realist synthesis is the importance of sense-making. The meta-narrative mapping approach to synthesising evidence is attractive because it acknowledges different disciplinary traditions and changes to dominant narratives over time.²⁰ It explores paradigmatic assumptions and the story of how empirical studies build on one another. This approach was deployed to illuminate changing paradigms across different disciplines in understanding about the diffusion of innovations.²⁰ Board governance is also a good example of where the dominant narrative has changed, with a shift away from the discourse of agency theory within the political science discipline to a more hybridised one in which, inter alia, board dynamics within the organisational behaviour discipline is now playing a significant contribution. We therefore adopted a meta-narrative mapping approach within a realist framework to identify and explain the rise and fall of dominant theories about the composition, role and functioning of boards.

The caveat here is the challenge of the very diverse nature of the sources of evidence on which the review is based and the relative infancy of the realist synthesis method; hence, detailed guidance around the processes of data extraction and appraisal is limited. Given the diversity of literature on boards and governance, we have purposely drawn on evidence from a broad range of peer-reviewed journals, books and reports. We are not claiming to be exhaustive in the search strategy employed; rather, we have focused on literature that helps to shed light on the theoretical propositions that drive the review and the relevance and rigour of the literature are judged in relation to the particular proposition under consideration, regardless of its source.

A key test for NIHR-funded studies is that the research questions and subsequent research findings are relevant and usable for the target audience who are responsible for the organisation and delivery of health care. Realist review stresses the importance of intensely practical theorising with programme practitioners to guide the inquiry of what works in what circumstances, how and why, eliciting, articulating and formalising hypotheses as to why outcomes are so varied (pp. 180–1).¹⁴

Accordingly, in line with realist review principles, we tested, honed and refined the research questions with a joint expert advisory and stakeholder group of 23 people, made up of seven researchers active in the

TABLE 1 Summary of alternative approaches to systematic review

Approach	Unit of analysis	Focus of observation	End product	Application
Meta-analysis	Programme	Effect sizes	Relative power of like programmes	Whole-programme application
Narrative review	Programme	Holistic comparisons	Recipes for successful programmes	Whole or majority replication
Realist synthesis	Mechanisms	Mixed fortunes of programmes in different settings	Theory to determine best application	Mindful employment of appropriate mechanisms

Source: Popay (p. 89).¹⁹

relevant discipline areas together with 16 representatives of the target audience of NHS board members and managers, including four board chairpersons, four non-executive directors/governors, two NHS chief executive officers (CEOs) and six corporate governance experts from the legal profession and from management consultancy. We convened this group once on a face-to-face basis in Manchester and ran a facilitated workshop early on in the study to elicit programme theories about board structures, processes, dynamics, development and impact on organisational performance and to guide the development of the research questions. The outcome of the workshop was a list of testable propositions and questions of interest to this stakeholder group, which are outlined in the following section. The provisional findings of the study were shared with the same expert advisory group and a number of comments were received. This embeds the 'linkage' between practitioners and researcher communities, which is advocated as a key characteristic of realist synthesis and helps to move findings from research into practice.^{12,21}

Focus of the review

There are four main steps in a realist review,¹⁰ which we have broadly followed. These include, first, clarifying the scope; second, searching for evidence; third, extracting the data and appraising the evidence; and, fourth, synthesising the evidence and drawing conclusions. *Chapters 2 and 3* are concerned with theory comparison and reality testing and complete the scoping by articulating the main theories to be explored, *Chapters 4–6* focus on the appraisal and use of the evidence and *Chapter 7* draws conclusions from a synthesis of the material.

Drawing from the realist approach to clarifying the scope of the study, our research questions at the start, which came from the main objectives described above, were amplified by the stakeholder group and a number of underlying testable propositions were also developed. These are outlined in full in the following sections.

Research question 1

Where are the main disciplinary sources of ideas about boards and what are the principal theories, conceptual frameworks and main paradigms?

Research question 2

How can theories and evidence about how boards operate in general help NHS boards in their work, in particular in the light of recent and forthcoming changes to the structure and governance arrangements in the NHS?

Additional questions of interest to members of the advisory group

- What is the role and purpose of NHS boards? In what ways are these the same as or distinct from those of other boards?
- To what extent are diffusions of governance models, for example in relation to financial performance from other sectors (e.g. commercial sector), applicable to the NHS? What is not transferable?
- What is and could be the role and function of the board of governors in foundation trusts in comparison to the role and function of the board of directors?
- What is the range of contributions that board members can usefully make?
- What are the respective roles of specialists/experts (e.g. clinicians) and generalists and the contributions that they can make?
- What is the role of the chairperson in running the meeting, framing the discussion, ordering the agenda?
- How important is diversity (style, gender, background, knowledge and ethnicity) for dynamics and effective board working? When?
- What constitutes effective board challenge (including how it is constructed and how it is handled)?
- What is the distinctive contribution of informal board seminars (compared with formal board meetings)?
- How do board subcommittees operate and how do they report to and influence the main board?

- What questions should this study be asking in the light of forthcoming changes in the NHS (e.g. for foundation trusts, clinical commissioning groups)? What are the lessons from the evidence about effective boards that are applicable to clinical commissioning groups?

Testable propositions

- Size is less important than balance and composition of the board.
- The functioning of board committees has an impact on effective board working.
- Triadic proposition that effective NHS boards exhibit dynamics of high trust+high challenge+strong grip/assurance.

Research question 3

What is the empirical evidence (positive and negative) in relation to the impact of NHS boards on performance, including at different stages in the performance cycle?

Additional questions of interest to members of the advisory group

- How does the focus of organisational performance vary depending on the type of NHS body?
- How do boards reflect on what aspects of performance they decide to focus on?
- How is the balanced scorecard (where this is used) developed and who sets the benchmarks?
- How do boards create a culture of patient safety?

Testable propositions

- High-performing boards take a critical perspective on how they measure and control for organisational performance.
- Boards prioritise quantifiable and more easily measurable areas of performance.
- Hearing and using patient and staff perspectives and patients' stories is important in framing board business.
- Boards in the NHS may have more influence on financial than on clinical performance (does finance trump quality?).
- 'Greater' (however measured) contribution of non-executive directors on boards is associated with higher organisational performance.

Research question 4

What are the different approaches to health-care board development and which are likely to work best in different contexts and types of NHS organisations?

Additional research questions of interest to members of the advisory group

- What kinds of board development are effective and in what circumstances?
- What is a good balance between individual and collective board development?
- What are the respective roles of management consultants and (in-house and outsourced) organisational development practitioners?
- What are the advantages/disadvantages of customised compared with off-the-shelf approaches to board development?
- To what extent is board development in itself another assurance exercise?
- How does appraisal of board members by the chairperson work in practice in the NHS and elsewhere?

Testable propositions

- Board development is more than board development programmes and is an approach that includes appraisal, periodic review and so on.

- Board diagnostic tools and board development activities can make a difference to effective board working.
- Board development programmes have variable impact on improved organisation outcomes.

Research methodology

A literature synthesis using a realist approach is neither a systematic review nor a meta-analysis. The PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses; www.prisma-statement.org) 2009 checklist, nevertheless, contains important steps regarding the structure and content of a review that we have followed where relevant. In particular, we have taken note of the need for a clear rationale, objectives, study selection and data collection processes, data extraction reporting, synthesis of results, summary of the evidence, limitations and conclusions.

The detailed plan of investigation is summarised in *Table 2* with more detail about the search strategy provided in *Table 3* as this lies at the heart of the study. It is important to note that the four objectives with their associated research questions are closely inter-related. For example, in attempting to arrive at an understanding about different approaches to board development (the final objective), the material is correlated with findings from the literature on theories about boards, their application in NHS contexts and evidence about how boards affect organisational performance. Equally, although *Table 2* suggests a sequential set of phases, in realist review there is an iteration between the phases so, for example, theories about boards and explanations about the characteristics of effective boards in NHS contexts are shaped and reshaped throughout the course of the study.

Data extraction and inclusion/exclusion processes are less linear than in traditional systematic reviews and decisions do call for pre-existing knowledge of the subject area and the exercise of judgement on what to

TABLE 2 Plan of investigation in accordance with realist synthesis and meta-narrative mapping

Phase	Actions
Define the scope of the review (research question 1: theories about boards; research question 2: experiences of NHS boards; research question 3: impact of boards on performance; and research question 4: board development)	<ul style="list-style-type: none"> • Explore literature across different disciplines and clarify questions with stakeholder/advisory group • Find and articulate the programme theories • Select landmark studies • Identify main research traditions associated with board governance • Develop theory maps
Search for, extract and appraise the evidence (see also <i>Table 3</i>)	<ul style="list-style-type: none"> • Decide purposive sampling strategy • Define search sources, terms and methods • Develop data extraction forms • Set thresholds for relevance and saturation • Test for relevance and rigour
Synthesise findings	<ul style="list-style-type: none"> • Compare and contrast findings from different studies • Seek confirmatory and contradictory findings • Final search in light of emerging findings • Refine theory maps and programme theories in light of the evidence
Draw conclusions and make recommendations in relation to the original objectives of the study (objective 1: explanation of theoretical and conceptual frameworks about boards; objective 2: application of frameworks to understand characteristics of effective boards in NHS contexts; objective 3: assessment of the evidence of how boards affect organisational performance; and objective 4: evaluation of approaches to board assessment and development)	<ul style="list-style-type: none"> • Consult stakeholder group members in a review of findings • Further refinement of findings • Disseminate review conclusions couched in theoretical terms and also in the form of a practical guide for NHS boards

TABLE 3 Search and extraction strategy

Phase	Actions
Decide purposive sampling strategy	<ul style="list-style-type: none"> • Scope the range of material to be retrieved to test particular theories and to answer specific questions • Repeat as necessary as theoretical understanding develops
Define search sources, terms and methods	<ul style="list-style-type: none"> • Sources to include grey literature as well as research literature • Terms to be decided that will elicit theory and evidence and answer questions important to stakeholders • Methods will include database searching, snowballing, citation tracking, hand searching • Keyword searching of databases including ABI/INFORM, Business Source Premier, MEDLINE, EMBASE, Health Management Information Consortium (HMIC)
Develop data extraction forms	<ul style="list-style-type: none"> • Title of paper • Name of reviewer • Paradigm (theoretical lens, e.g. classical economic theory) • Type of paper (i.e. research design) • Focus of analysis (e.g. board composition, methods of working, dynamics, board assessments, board development) • Findings • Importance for our research question • Methodological strength of paper in its domain
Test for relevance and rigour	<ul style="list-style-type: none"> • Does the paper make an original and scholarly contribution to research? • Is the paper about the topic under scrutiny? • Does it add value for NHS board members?
Set thresholds for saturation	<ul style="list-style-type: none"> • Check whether or not additional searching will add new knowledge (within limits of available time and resources)

include/exclude from the review, drawing on advice from the research team and stakeholder group as required. Examples of data extraction forms used are provided in *Appendix 1*.

Literature search

A search was conducted from 1968–2011 across relevant library and external sources as outlined in the following sections.

Full text

- ABI/INFORM® (ProQuest, Ann Arbor, MI, USA): >3000 leading peer-reviewed management journals and business publications.
- Business Source Premier (EBSCO Industries, Inc., Ipswich, MA, USA): >2800 leading peer-reviewed management journals and business publications.
- Emerald (Emerald Group Publishing Limited, Bingley, UK): >500 peer-reviewed business journals covering subject areas such as leadership, corporate governance, organisation studies, general management, industry and public sector management.
- SAGE Management & Organization Studies/Health Sciences: >40 peer-reviewed management journals and 50 health sciences titles.
- SciVerse® ScienceDirect® (Elsevier, Amsterdam, the Netherlands): >2400 peer-reviewed titles covering various disciplines including business and management disciplines, health sciences, life sciences and physical sciences.
- Wiley Online Library: >1500 titles covering various disciplines including business and management and health sciences.

Indexes and abstracts

- ISI Web of Knowledge: abstracts and citations for >8000 science and social science journals.
- Scopus: abstracts and citations for >15,000 science and social science journals.
- Zetoc: British Library's electronic table of contents – abstracts and indexes for >20,000 journals.
- PubMed: citations for biomedical journals.
- Cumulative Index to Nursing and Allied Health Literature (CINAHL): indexes for 3800 journals covering nursing and allied health literature.
- Ovid: access to various collections including EMBASE (3500 medical journals), Health Management Information Consortium (HMIC), MEDLINE and PsycINFO.
- Applied Social Science Index and Abstracts (ASSIA): spans >500 journals for health, social services, psychology, sociology, economics, politics, race relations and education.

Practitioner literature

- Social Science Research Network (SSRN): >300,000 working papers covering various management and business disciplines; many working papers available in full text.
- Service and Delivery and Organisation (SDO) studies.
- NHS NIHR reports.
- NHS Leadership Academy.
- NHS Confederation.
- Department of Health research and publications.

Books

- Nielsen Books in Print: >15 million records for internationally published books (including out-of-print books)

Specific titles

The following titles specified by the research team were covered by the Business Source Premier, ABI/INFORM, Emerald, SAGE and Wiley databases:

- *British Journal of Management* (1990+, Business Source Premier)
- *Corporate Governance: An International Review* (1993+, Wiley Online Library)
- *Corporate Reputation Review* (1997+, ABI/Business Source Premier)
- *Economic Development Review* now *Economic Development Journal* (1984+, Business Source Premier)
- *Health Services Management Research* (1987+, ABI/Business Source Premier)
- *Health Affairs* (1994+, ProQuest)
- *Human Relations* (1947+, SAGE)
- *Journal of Business Ethics* (1987+, ABI)
- *Journal of Healthcare Management* (1987+, ABI)
- *Leadership & Organization Development Journal* (1980+, Emerald)
- *Nonprofit Management and Leadership* (1998+, Business Source Premier)
- *Public Administration and Development* (1998+, Wiley Online Library).

The following titles were searched individually:

- *Journal of Business Ethics* (1982–7, JSTOR)
- *Health Care Management Review* (1976+, Lippincott, Williams & Wilkins journals)
- *Corporate Governance* (1994–2006, Emerald).

A combination of selected keywords within title/abstract/subject terms, shown in *Box 2*, was used to identify references.

To aid the management of references, the results were exported to EndNote X5 (Thomson Reuters, CA, USA), a standard reference management tool, which allows references to be sorted by type, for example articles, papers and websites, and provides an efficient method to review relevance. Two EndNote libraries were created, one for general literature and one for health-care-related literature. References were tagged to allow results in each EndNote library to be filtered by the four main research questions.

In the first phase of the literature review, all journal abstracts, book summaries and papers were read and allocated for potential interest to the four research questions by the principal investigator or discarded. A second member of the research team viewed a random sample of abstracts to check the decision-making. In phase two, full articles and texts were viewed before a judgement was made to select for full examination or to discard. In the final phase, further hand searching and snowballing took place to augment and in some cases update the literature under scrutiny.

Studies excluded from the review

The following study topics were excluded from review as these were deemed not to be related to our research questions, nor were they topics of interest to the advisory group members or relevant to our testable propositions:

- small firms
- founder director firms
- CEO pay
- corporate social responsibility
- specific industry sectors, for example sports, banking, technology-intensive firms, in which findings pertain only to that sector
- in-country articles in which findings relate only to that country
- anecdotes of single company experiences.

Studies included in the review

In total, 618 general articles, 209 health-care-related articles, 252 textbooks and 54 reports were identified as a result of the initial search. After screening and tagging for links to the four research questions, 22 textbooks, 21 reports and the following numbers of articles were reviewed to assess their relevance for full examination:

- 374 (general)+50 (health-care related) for research question 1 on general theories and frameworks for boards
- 28 (general)+29 (health-care related) for research question 2 on experiences of health-care boards
- 70 (general)+20 (health-care related) for research question 3 on the impact of boards on organisational performance
- 47 (general)+9 (health-care related) for research question 4 on approaches to board development.

After eliminating duplicated references and application of criteria for exclusion, and the inclusion of additional material from hand searching, snowballing and updating, 670 articles and other texts were selected for full review.

BOX 2 Keywords used for the literature search**General literature**

Title: board* and framework* or theor* or model* or literature

Title: board* and (success* or effective* or performance*)

Subject: board* or governance

Title: board*

Abstract: success* or effective* or performance

Subject: board or governance

Title: board* or governance*

Title: framework* or theor* or model* or literature

Subject: board*

Title: board* or corporate governance*

Abstract: board* or corporate governance*

Abstract: theor* or framework* or model* or literature

Subject: board or governance

Title: board* or governance

Abstract: board*

Abstract: success* or effective* or performance*

Abstract: firm* or company* or organisation* or organization*

Subject: board* or governance

Health-related boards literature

Title: nhs or national health service

Title: board* or governance

Subject: board* or governance

Title: nhs or national health service

Abstract: board* or governance

Subject: board* or governance

Title: board* or corporate governance* or clinical governance

Title: health or healthcare or health service or public health or nhs or national health service or emergency service* or hospital* or care trust* or clinical care or care

Subject: board* or governance

Title: board* or corporate governance* or clinical governance

Title: health or healthcare or health service or public health or nhs or national health service or emergency service* or hospital* or care trust* or clinical care or care

Abstract: board*

Subject: board* or governance

Title: board* or governance* or clinical governance

Abstract: health or healthcare or health service* or public health or nhs or national health service* or emergency service* or hospital* or care trust* or clinical care or care

Abstract: theor* or framework* or literature or model*

Subject: board* or governance

Chapter 2 Theories about boards

Disciplinary sources of ideas about boards

What are the main disciplinary sources of ideas about boards and what are the principal theories, conceptual frameworks and main paradigms? Interest in board governance is growing. In our trawl of 618 general (as distinct from health-care-specific) articles from 1968 to 2011 we found a significant and steady recent increase in relevant material (*Figure 1*).

Table 4 shows the top 20 journals in terms of numbers of articles and, as discerned from terms used in the titles and abstracts, these articles largely relate to 'corporate governance' and 'management', although economic, legal, strategic, behavioural and organisational frames are also significant (*Table 5* shows the main disciplinary themes). A number of key texts are characterised by interdisciplinary synthesis, for example legal (Berle²²) and economic (Means²²).

Huse²³ distinguishes between general theories (contingency and evolutionary), the role of boards (e.g. agency, stewardship and so on) and process theories (e.g. norms, decision-making culture and interactions). Selim *et al.*⁹ refer to the interaction of structures, processes and behaviours in affecting board effectiveness. We have adapted these, which we would identify as middle-range theories, by starting with theories about the role of boards, proceeding to process theories, which we have termed board practices, and concluding with a conjunction of the two.

Principal corporate governance theories

Figure 2 outlines the numbers of articles relating to the main theories about boards and, therefore, shows the relative dominance of the main theories over time. In addition, the texts in *Table 6* were selected as landmark texts because of frequency of citations, influence on corporate governance theory and theory development and relevance for the research questions in this study.

Agency theory

History of agency theory

Boards of commercial corporations were developed as a result of the industrial revolution, the growing commercial complexity of business and the gradual separation of ownership, and risk, from control. Trading, banking, transport and utility companies led the way before manufacturing in assuming corporate form. The significance of this silent revolution is eloquently outlined by Berle and Means²² in the preface to their classic text:

It is of the essence of revolutions of the more silent sort that they are unrecognized until they are far advanced. This was the case with the so-called 'industrial revolution' and is the case with the corporate revolution through which we are at present passing.

The translation of perhaps two-thirds of the industrial wealth of the country [USA] from individual ownership to ownership by the large, publicly financed corporations vitally changes the lives of property owners, the lives of workers, and the methods of property tenure. The divorce of ownership from control consequent on that process almost necessarily involves a new form of economic organization of society....

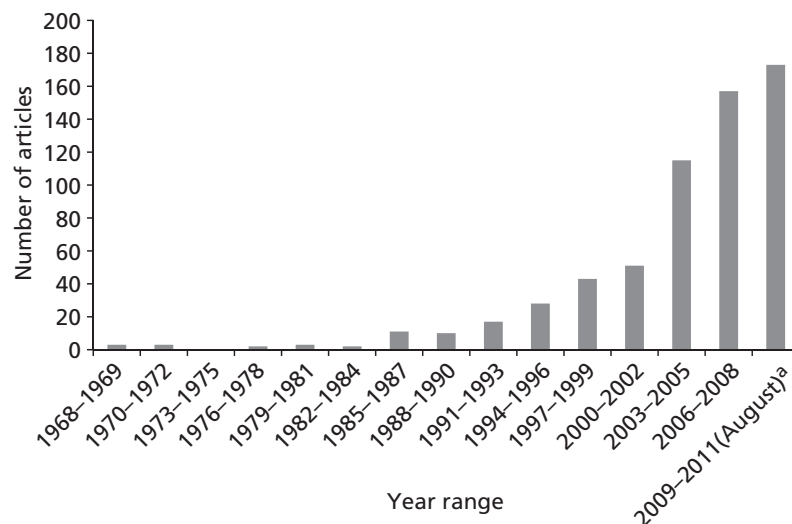


FIGURE 1 Publication timeline. a, Search undertaken in August 2011.

When these subjects are thought through there will still remain the problem of the relation which the corporation will ultimately bear the state – whether it will dominate the state or be regulated by the state or whether the two will coexist with relatively little connection. In other words, as between a political organization of society and an economic organization of society which will be the dominant form? This is a question which must remain unanswered for a long time to come.

(pp. lii–liv)

The influence on society of how business is conducted is undisputable: ‘With 50 of the world’s largest economies being companies, and the 500 largest corporations controlling 25% of the world’s economic output, the impact of business on society is undeniable’ (p. 96).³⁰

The earliest fully developed theory about boards was thus agency theory, at the heart of which lies questions about the organisation and ownership of property and the distribution of power that goes along with that. Over the past few centuries, the holding of property has moved from being an active to being a passive affair. Evolution of control has been classified by Berle and Means²² as (1) control through ownership, (2) majority control, (3) control through legal device, (4) minority control and (5) management control (p. 67). When ownership is held by a very large number of individuals and bodies with none holding a significant proportion, control is effectively handed over from owners to managers. A total of 44% of the largest 200 US corporations in Berle and Means’s study²² were found to be under management control in 1929 (p. 106), rising to 84% by 1963. Agency theory is predicated on the notion that the shareholders’ and managers’ interests are likely to be different and that the behaviours of both sets of actors are characterised by self-interested opportunism.²² Those in control ‘can serve their own profits better by profiting at the expense of the company than by making profits for it’ (p. 114).²²

There is a prehistory here that it is worth examining. Germane to the public sector focus of this study, before the industrial revolution, charities and municipal authorities were the earliest examples of corporations. In 1614, Sir Edward Coke confirmed both the legal personality and the abstract nature of corporations and remarked in the case of a contested estate in relation to which funds were vested in Sutton’s Hospital:

the Corporation itself is only in abstracto, for a Corporation aggregate of many is invisible, immortal, & resteth only in intendment and consideration of the Law; and therefore it cannot have predecessor nor successor. They may not commit treason, nor be outlawed, nor excommunicate, for they have no souls, neither can they appear in person, but by Attorney. A Corporation aggregate of many cannot do fealty, for an invisible body cannot be in person, nor can swear, it is not subject to imbecilities, or death of the natural body, and divers other cases.

Coke 1614, cited in Coke and Shepherd⁴³

TABLE 4 Number of articles per journal title from 618 general references about boards

No.	Journal	No. of articles
1	<i>Corporate Governance</i>	49
2	<i>Corporate Governance: An International Review</i>	46
3	<i>British Journal of Management</i>	13
4	<i>Journal of Financial Economics</i>	13
5	<i>Corporate Ownership and Control</i>	12
6	<i>Nonprofit Management and Leadership</i>	12
7	<i>Long Range Planning</i>	11
8	<i>Journal of Corporate Finance</i>	9
9	<i>Journal of General Management</i>	9
10	<i>Nonprofit and Voluntary Sector Quarterly</i>	9
11	<i>SSRN Working Paper Series</i>	9
12	<i>Academy of Management Journal</i>	8
13	<i>Journal of Business Ethics</i>	8
14	<i>Journal of Management Studies</i>	8
15	<i>Strategic Management Journal</i>	7
16	<i>Academy of Management Annual Meeting Proceedings</i>	6
17	<i>International Journal of Business Governance and Ethics</i>	6
18	<i>Journal of Management and Organization</i>	6
19	<i>The International Journal of Accounting</i>	6
20	<i>Administrative Science Quarterly</i>	5
	Other titles with less than five articles (totalling 267 journals)	366
	Total	618

TABLE 5 Disciplinary themes in research on boards (terms used in title or abstract of 618 general references about boards)

Theme	No. found
Corporate governance	272
Management	171
Strategy	57
Organisation	33
Law	25
Economics	14
Psychology	3

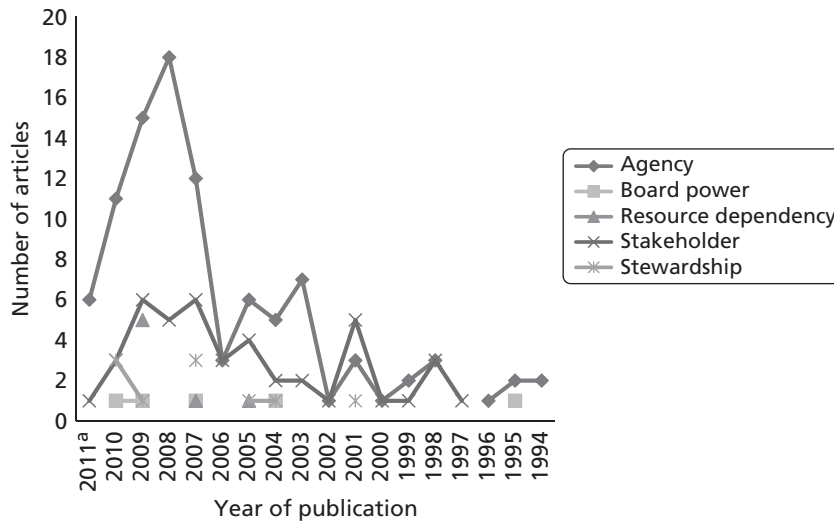


FIGURE 2 Timeline for the main board theories (from 618 general references about boards). a, Search undertaken in August 2011.

Although boards were supposed to represent the interests of absent owners or shareholders (the principals), and management became the agents of the board, Adam Smith⁴⁴ highlighted what he saw as the hazards of diverting the control of company resources away from the owners:

The directors of such companies ... being the managers rather of other people's money than of their own, it cannot well be expected, that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own.

p. 439

Analysis of agency theory

Coming now to the present day, agency theory, with its emphasis on conformance, suggests that the monitoring role of the board, supported by processes such as external audit and reporting requirements, is likely to reduce problems of management pursuing their own interests or performing poorly (Box 3 provides a summary of the implications of agency theory for an understanding of board governance). The emphasis is on avoiding performance problems stemming from poor management or inappropriate use of managerial discretion. The theory is underpinned by a belief derived from neoclassical economics that, as both principal and agent are utility maximisers, the latter is not likely to always act in the interest of the former. Agency costs are incurred in acting to minimise the gap between the two sets of interests. Jensen and Meckling⁴⁵ elaborate on the three sources of agency costs: monitoring expenditure, bonding costs (to tie the agent in) and residual loss (the costs of agents' decisions which diverge from those that are in the best interests of principals). These authors also emphasise the generality of the agency problem, both at all levels of management and also across different types of organisations, including non-profit organisations (NPOs), government corporations and co-operatives. This is derived from a view that most organisations (private firms, NPOs, government bodies) serve as a nexus for a set of contracting relationships among individuals.⁴⁵

Fama and Jensen⁴⁶ further explicate the value of agency theory by explaining the circumstances in which a separation of decision management (generation and implementation of proposals) and decision control (ratification and monitoring processes) is indicated. This includes large corporations, and also most NPOs and government bodies when there is a degree of complexity or size which means that there is a hierarchy and a diffusion of decision management and when important decision-makers are not exposed to significant risk by the financial effects of their decisions, which is indeed a distinctive characteristic of NPOs and government bodies.

Eisenhardt⁴⁷ urges the use of agency theory to investigate problems that have a principal-agent structure, for example information asymmetry, outcome uncertainty and risk, offering an empirically testable perspective on the challenges of co-operative effort. Rather than wholesale adoption or rejection, this author advocates

TABLE 6 Selected landmark texts on theories about boards

Study	Contribution	Citation rate ^a
Pfeffer and Salancik 2003 ²⁴	Resource dependency theory	13,826
Berle and Means 1932 ²²	Agency theory	10,609
Ferlie <i>et al.</i> 1996 ²⁵	New public management and boards	1417
Davis <i>et al.</i> 1997 ²⁶	Stewardship theory	1401
Dalton <i>et al.</i> 1998 ²⁷	Meta-review	953
Carver 2006 ²⁸	Policy governance theory	687
Roberts <i>et al.</i> 2005 ²⁹	Role of non-executive directors	249
Huse 2005 ²³	Board behavioural framework	199
Stiles and Taylor 2001 ³⁰	Boards at work	181
Cornforth 2003 ³¹	Non-profit governance	173
Chait <i>et al.</i> 2005 ³²	Non-profit governance	161
Garratt 1997 ³³	Board tasks	147
Brown 2005 ³⁴	Non-profit governance	124
Clarke 2004 ³⁵	Philosophical foundations of governance	111
Clarke 1998 ³⁶	Stakeholder theory	109
Hillman <i>et al.</i> 2009 ³⁷	Resource dependency theory	67
Vinnicombe <i>et al.</i> 2008 ³⁸	Women on boards	64
Gabrielsson 2007 ³⁹	Board behaviour	21
Heracleous 2008 ⁴⁰	Meta-review	19
Brown and Guo 2010 ⁴¹	Non-profit governance	14
Capezio 2009 ⁴²	Behavioural agency theory	7

^a Rates accurate using Google Scholar on 21 June 2012 at 1253.

BOX 3 Implications of agency theory for an understanding of board governance

- Boards have a responsibility to mitigate the risks inherent in the separation of ownership from management
- Managers may not always act in the interests of the organisation either as a result of self-seeking behaviour or because of incompetence
- There may be damaging information asymmetry between the knowledge held by the management and the knowledge that is available to the representatives of the owners (in health care this would be the non-executive directors or lay members or governors on behalf of the public) on the board
- The main role of the board is to obtain the necessary information to monitor the performance of the company and to hold the managers to account

its deployment when there are particular contracting problems, goal conflict or lack of clarity, and in tandem with other organisation theories.

Agency theory carries with it certain assumptions about human behaviour and, for public sector bodies, certain assumptions that governments make about human behaviour. For health care, the assumption behind agency theory is about the need to rein in the self-serving behaviour of managers and clinicians, as well as the need to mitigate against poorly performing managers, which has also been termed 'honest incompetence'.⁴⁸

Recent critiques of agency theory claim that it downplays the complexity of individual motivations and permutations of organisational life and that it relates to a view about the self-centredness of human behaviour in organisations which is now contested.^{26,49} Huse *et al.*⁵⁰ challenge a core assumption behind agency theory, which is the possibility of complete contracting *ex ante* for all stakeholders. Without this, and with the probability of incomplete contracting, other theories emerge naturally. In a meta-analysis, Deutsch⁵¹ found little support for agency theory's prediction about the impact of board composition, particularly the proportion of outside directors, on critical decisions, for example around CEO compensation, risk and control, that involve a potential conflict of interest between managers and shareholders. Relating closely as it does to the monitoring and compliance aspect of the board role, which is commonly regarded as a cornerstone of board work, agency theory nevertheless continues to hold sway and dominates the literature about board theories (see *Figure 2* for a timeline: out of 174 articles accessed relating to different board theories over the past 17 years, 105 discussed agency theory, although the backlash against agency theory was most notable around 2004–6).

One possible reason for the continued primacy of agency theory is the development of a modernising behavioural variant. This argues that in some circumstances boards may opt for behaviour-based rather than outcome-based incentive schemes for its executives to achieve alignment and optimal contracting.^{47,52,53} Behavioural agency theory proposes that the traditional advocacy of incentives based on firm-level outcomes may, particularly in view of the impossibility of complete *ex-ante* contracting, lead to unintended consequences.⁵³ Behavioural agency theory proposes that incentive alignment can be achieved through outcome-based contracts, behaviour-based contracts or a combination of the two.^{47,52,53} Whereas outcome-based contracts link CEO pay to firm-level performance, behaviour-based contracts link pay to the board's direct supervision of CEO behaviour, decisions and actions, which, in turn, are assumed to have a positive, if indirect, influence on firm performance.⁵³ Capezio *et al.*⁴² argue the case for behavioural agency theory to mitigate against the potential weaknesses of outsider directors who may suffer from information asymmetry and who may be excessively influenced by institutional emulation or social identity issues in their approach to the setting and controlling of organisation targets, performance and executive incentives.

Stewardship theory

Stewardship theory was developed as a challenge to beliefs that managers are always self-interested rational maximisers, first by Donaldson⁵⁴ with later development by Davis *et al.*²⁶ and Cornforth³¹ (*Box 4* provides a

BOX 4 Implications of stewardship theory for an understanding of board governance

- Managers on the whole direct their efforts to the well-being of the organisation that they are serving
- Managers and owner representatives (outsider directors, non-executive directors, lay members or governors) on boards work together to develop strategy and to monitor performance
- The value of directors lies in using their knowledge to advise their executive colleagues on the board

summary of the implications of stewardship theory for an understanding of board governance). According to stewardship theory, the goals of board directors and of their managers are aligned, with the latter being intrinsically motivated to act in the best interests of the organisation and to focus on intangible rewards such as opportunities for personal growth and achievement. The theory relates to a very different human relations perspective from the one that underpins agency theory, one in which, in general, people are motivated to do good and to act unselfishly, as long as a number of organisational and cultural preconditions are satisfied.²⁶ In this model, managers and owners share a common agenda and work 'side by side'; the emphasis is on the board's role in developing strategy rather than on monitoring performance and a preponderance of internal (or executive) directors with high levels of access to information is favoured.³¹ Implicit in stewardship theory is the understanding that the owners (principals) are prepared to take risks on how managers will run their business and provide a return on their investment, indicating a level of trust that is absent in agency theory.

The theory was explicated in a large empirical study covering 658 corporate directors in four countries. Anderson *et al.*⁵⁵ found that boards of directors were evolving into an active partnership with management, positioning themselves as a strategic asset to the organisation. This partnership role is more in keeping with a model of stewardship rather than an agency model of the board as monitor. Importantly, this co-operative role requires that the board develop closer ties with management. The board's shift to sit closer to management might otherwise have created an oversight vacuum but for the move toward activism by institutional investors. In the view of the authors, this evolution of the board to strategic partner of management, combined with increased investor monitoring, offers the potential to produce a more effective governance regime.

Davis *et al.*,²⁶ although proponents of stewardship theory, argue that, given the mixed empirical evidence, neither agency theory nor stewardship theory represents a 'golden bullet' for corporate governance. Other critiques of stewardship theory also indicate that there is, at best, mixed evidence to support this theory⁵⁶ and that its application can lay organisations open to risks of governance failure, strategic drift or inertia. In addition, there is a danger of 'groupthink'⁵⁷ or 'upper echelons'-dominated thinking,⁵⁸ in which there is not enough independent challenge on the board. A study of 768 US company directors showed that non-executive directors experienced acute role conflict in having to serve the interests of shareholders while at the same time maintaining camaraderie on the board.⁵⁹ The same directors reported that non-executive directors who were members of a remuneration committee felt compelled to appease the CEO.

Resource dependency theory

Resource dependency theory derives from economics and sociology disciplines concerned with the distribution of power in the firm and was developed particularly by Zahra and Pearce⁶⁰ and Pfeffer and Salancik²⁴ (*Box 5* provides a summary of the implications of resource dependency theory for an understanding of board governance). According to resource-based theory, the organisation is an amalgam of tangible and intangible assets and capabilities.⁶¹ Strategic resources in particular are those that are valuable, rare, inimitable and non-substitutable.⁶² In this context, the board can be seen as a strategic resource. Given

BOX 5 Implications of resource dependency theory for an understanding of board governance

- Organisations depend on others for survival
- Board members add value because of their background, skills and contacts
- The main role of the board is leveraging and managing external relationships
- Board members may belong to a network of other powerful people who exercise control over the direction of public life in a series of board interlocks

that all organisations depend on others to survive and thrive, resource dependency theory²⁴ suggests that managing external relationships to leverage influence and resources is the prime purpose of the board, and hence board members are selected for their background, contacts and skills in 'boundary-spanning'.⁶³ Mintzberg⁶⁴ called the board the mediator between internal and external coalitions, facing in to management and out to shareholders. The use of the board as a co-optative mechanism (also known as co-optation theory) reflects the potential of the board in fostering long-term relationships with key external constituencies, thereby co-opting important elements of the organisation's external environment. This is also evidenced by multiple board membership known as board interlocks.⁶⁵ The theory focuses on how uncertainty caused by external environmental factors and dependence on outside organisations can be minimised. Four benefits that board directors can bring include advice, access to information, preferential access to resources and legitimacy.²⁴

Allied to resource dependency, and drawing from Marxist sociology, is class hegemony theory, according to which the members of boards and governing bodies, even in a culturally diverse society, seek to perpetuate a ruling elite. Here, a small group of people head or direct all of the large companies and organisations through the exercise of political, social and economic power⁶⁶ and imposition of a ruling-class world view.^{67,68} The justification of the approach is that the world view taken is beneficial to all and not just to the ruling class. In relation to board governance, this amounts to an inner circle who constitute a distinct recursive semi-autonomous powerful network deeply embedded in community and society.³⁰

A recent review of resource dependency theory³⁷ confirmed theoretical support and the existence of empirical evidence for this lens for understanding boards and emphasised its contingent and dynamic nature and its particular utility early in the life cycle of organisations and in times of stress or decline. The theory can be criticised for an overfocus on an external locus of control construct.⁶⁹ It underplays views of the board role in determining its own future through strategising, and in exercising oversight of internal management actions and performance.

Stakeholder theory

Stakeholder theory comes from nineteenth-century developments of alternative forms of organisation and control in the shape of mutuals and co-operatives (for a review with specific interest for the health-care sector see Gregory⁷⁰). Recent thinking on stakeholder theory has been developed in particular by Blair⁷¹ and Clarke³⁶ (*Box 6* provides a summary of the implications of stakeholder theory for an understanding of board governance). There is a view that an exclusive focus on shareholder interests has not held the key to good corporate performance and effective accountability. In an age of vocal consumer groups, employee activism, media monitoring and now social networking, the assumption that only shareholders are capable of effective monitoring looks increasingly flawed.³⁶

BOX 6 Implications of stakeholder theory for an understanding of board governance

- The role of the board is to ensure the longer-term survival and value creation for the organisation and is dependent on the commitment of key stakeholders not just shareholders
- The role of board members is to understand and represent the views of all those with a stake in the organisation
- The board may have to manage complex trade-offs between the interests of shareholders and those of stakeholders (in the case of health care the latter may be the wider public and the former may be the patients and the staff of the hospital)

According to stakeholder theory,⁷² board members work to understand and represent the different interests of individuals and groups who have a 'stake' in the organisation. Stakeholders are all those whose participation is critical to the survival of the organisation.⁷³ These include managers, employees, customers, suppliers (contractual stakeholders) and the community, that is, consumers, regulators, government, pressure groups, media and local communities.⁷³ The argument runs that the inclusion of a range of different stakeholders drives an inclusive approach that represents a wide spectrum of societal opinions, balances competing priorities and avoids dominance by one group with particular interests. Among the myriad of stakeholders, stakeholder theory also argues that boards have to identify the critical stakeholders (e.g. key staff groups) whose commitment is essential for long-term value creation. According to stakeholder agency theory, managers are seen as the agents for all of the stakeholders, not just the owners.⁷⁴

The genesis of stakeholder theory can be traced back to the co-operative movements of the nineteenth century. Although Berle and Means' classic text²² is cited as the leading proponent of agency theory, their conclusions actually herald the notion of corporate social responsibility, and the importance of a community theory for how corporations should be managed, and they begin to address the broader question of what corporations (and therefore boards that manage them) are for:

This third alternative offers a wholly new concept of corporate activity. Neither the claims of ownership nor those of control can stand against the paramount interests of the community...it seems almost essential if the corporate system is to survive...that the 'control' of the great corporations should develop into a purely neutral technocracy, balancing a variety of claims by various groups in the community and assigning to each a portion of the income stream on the basis of public policy rather than private cupidity.

pp. 312–13

Penrose⁷⁵ developed the intellectual foundation of stakeholder theory in her proposition that the company can be seen as a bundle of human assets and relationships. Blair⁷¹ argues that, if organisations are viewed as institutional arrangements for managing relationships between all of the parties that contribute to the wealth of the enterprise, not just the shareholders, management has to take into account the effect of corporate decisions on all stakeholders. Thus, the control rights should be allocated according to all of the stakeholders who provide the sources of firm value creation and who bear risk. In some interpretations of stakeholder theory,⁷¹ a hierarchical distinction is made between 'taking into account' the views of stakeholders and 'being responsible to' the shareholders.

Blair further argues that there developed an accommodation of the classic *property conception* of the corporation with a newer *social entity conception*, backed by developments in US law that protected companies which engaged in socially responsible behaviour that might not directly, in the short term, maximise profits for shareholders but that benefited shareholders in the long run, on the premise that the well-being of communities in which companies operate was considered good for business.

In practice, given that knowledge is these days the pre-eminent resource and that knowledge is generated by individuals, elements of the stakeholder approach are increasingly utilised. Only by creating great relationships with employees, customers, suppliers, investors and the community will organisations learn and change fast enough.³⁶ This argument is backed by Kaufman and Englander⁷⁶ in their advocacy of the 'team production' model of corporate governance, which draws from a stakeholder view for board membership to include representation from those who add value, assume risk and possess strategic information.

Stakeholder theory has been challenged by some, for example Von Hayek,⁷⁷ who argues that allowing management to use company resources for ends other than a direct increase in shareholder value confers on them 'undesirable and socially dangerous powers' (p. 100). Other arguments against the stakeholder view include diversity of and lack of clarity about stakeholder expectations, complexity of trade-offs if

stakeholder interests are to be taken account of and the need for a simple focus of the bottom line for managers.⁷⁸

Despite the fact that stakeholder governance models are deeply embedded in some countries in Europe, notably Germany, and in Japan, and that claims for these countries' industrial and social success are often based on this model, the empirical evidence for stakeholder theory is weak. In a study of 250 firms and more than 3000 directors, Hillman *et al.*⁷⁹ found no association between the presence of stakeholder directors on the board and organisational performance. The theory can be criticised for encouraging risk-averse, inoffensive but bland and lowest common denominator decision-making. It can lead to large and unwieldy boards with people recruited for whom they represent rather than for their board-level skills.⁸⁰

Theories about the exercise of board power

Berle and Means,²² in relation to agency theory, delineate between the three main aspects of enterprise: (1) having power with ownership and taking action, (2) the diverse situations of owners without appreciable power and (3) having power without appreciable ownership (p. 112). Power can be defined as the ability to influence others and, in relation to boards, Huse *et al.*⁵⁰ argue that the literature on power can usefully be divided into four main groups. These are direct power, indirect power, conscience-controlling power and institutional power. Power differentials between members of the board affect both processes and outcomes (*Box 7* provides a summary of the implications of board power theory for an understanding of board governance). Mace⁸¹ found that the gap between expectations of boards and actual practices could at least in part be explained by power relations.

Models of board behaviour and exercise of power can be related to the main theories about boards: for example, agency theory is connected to a 'challenge and compliance' set of behaviours, whereas stewardship theory relates to a high-trust partnership style of working, and in a stakeholder model board members tend to be most vocal when articulating the interests of 'their' constituency.⁸⁰ Power boards are those to which influential boundary spanners have been recruited, in a model closely related to a resource dependency view of the board.³⁰

In an amplification of their view that one size does not fit all, Davis *et al.*²⁶ propose that participative, empowered, involvement-oriented management culture with lower power distance is more likely to produce principal–steward relationships, and that a control-oriented management, with individualist culture and transactional leadership characteristics and high power distance, will, conversely, produce principal–agent relationships. The authors further indicate that both the principal and the agent (manager) are psychologically predisposed to one or other relationship but do have a choice. They conclude that, if there is an agreed mutual stewardship relationship, the potential performance of the firm is maximised and, if there is an agreed mutual agency relationship, risks and costs are minimised.

BOX 7 Implications of board power theory for an understanding of board governance

- The holding and exercise of power on the board changes over time and power distance between members on the board can also vary
- Power on boards often rests with managers not with outsider or non-executive directors or lay members or governors
- Board members add value by understanding the circumstances in which managerial hegemony is beneficial to the organisation and the circumstances in which it is not

In his influential piece on the exercise of power by independent directors of the board, Mace⁸² argues that, at least at the time of writing, there is a substantial gap between the myths of business literature and the realities of business practice. Directors do give advice, set discipline and provide decision-making in times of crisis but are less likely to exercise influence over strategy or to ask discerning questions or in reality take charge of the CEO selection process. This all suits CEOs who, according to the managerial hegemony frame, do not want the directors too involved in the company. In a more nuanced contribution, Lorsch and MacIver⁸³ chart the rise and fall and rise again of the potential power vested in the independent director. This has to do with the increase in the proportion of outside directors, and the multiple sources of power, which include legal authority, stakeholder expectations and personal confidence as well as the power of unity of purpose amongst board members. Kosnik⁸⁴ argues for merging agency and managerial hegemony theories to clarify the contingencies that might affect board performance in corporate governance. The argument runs that one is not more valid than the other but that the switching rules need to be identified.

Related to this are theories about the sources and use of board power, including the power of the chief executive,⁸⁵ the exercise of managerial hegemony,³⁵ the discretionary effort and skill exercised by non-executive board members⁸⁶ and the increased role of the board in periods of crisis or transition,⁸³ which can be followed by 'coasting' according to the stress/inertia theory.⁸⁷ Critiques of models of board power argue that there is a sometimes mistaken assumption that board members are able to exercise influence over senior management, and that it is through this influence on management that they are able to bring about change and influence organisational performance.⁵

Three main rules governing the proper exercise of power by management have been developed and tested legally: a decent amount of attention to business, loyalty to the interests of the business and reasonable business competence (p. 197).²² Managerial power theory argues that board structures set the conditions for board control. Boards dominated by managers are seen as weaker monitors and compromised, as the CEO can exercise inappropriate influence over his or her own, and fellow executives', compensation and career advancement.⁸⁸ Further, managerial power theory proposes that a CEO who is also a board chairperson (chairperson–CEO duality) has the power to influence board decisions in general and to create the conditions for board 'capture'.^{89–92}

Power circulation theory explains political dynamics amongst elites⁹³ and was extended to the corporate governance context by Ocasio,⁹⁴ Shen and Cannella⁹⁵ and Combs *et al.*⁹⁶ The theory suggests that top management in organisations is inherently political, characterised by shifting coalitions and continual power struggles.⁹⁴ Power circulation challenges the notion that CEOs can perpetuate their power.^{94,97} Instead, it suggests that managerial power ebbs and flows because of political obstacles and triumphs arising from the shifting allegiances of colleagues and rivals. Combs *et al.*⁹⁶ argue that a board with a majority of outside directors is only important to control a powerful CEO and that a weaker CEO can be adequately controlled by the other executives.

Finally, in relation to Huse *et al.*'s allusion to conscience-controlling power,⁵⁰ corporations may transgress because, although they have power, they lack the conscience to do good, as they have 'no soul to be damned and no body to be kicked' (Edward 1st Baron Thurlow, English Lord Chancellor 1778–92, quoted in Coffee,⁹⁸ p. 386). This begins to indicate the requirement for an agency theory in reverse – the need to consider who controls or regulates the decisions and actions of the board, and a revisiting of Berle and Means' question²² about whether the political or the economic organisation of society should dominate (p. liv).

Developing a realist interpretation framework of board theories, contextual assumptions, mechanisms and intended outcomes

The terrain is characterised by some complexity in terms of the multiple locations of the evidence across different disciplinary traditions. Drawing together these theories is a daunting task. Within a realist frame, the focus is on offering explanations rather than judgements, and developing principles and guidance rather

than making rules.¹⁶ In line with a realist view, it seems to us that underpinning the main theories about the role of boards is a series of contextual assumptions, mechanisms and intended outcomes. These are summarised in *Table 7*.

The theories suggest that boards face choices. If the main intended outcome is for the minimisation of risk (e.g. patient safety), it follows that the main mechanism should be monitoring, predicated on agency theory. This may come at the expense of innovation, however, which is predicated on stewardship theory, with a mechanism of collaborative working on the board. When there is an issue around power (e.g. in health care, the power of the professions, or the power of the regulator), the mechanism of power differentials may need to be deployed to ensure equilibrium. In the context of long-term service commitment in a health-care system, a multi-stakeholder approach involving collective effort may be indicated, with an outcome of long-term added value.

Board practices

What do boards actually do, what should they do and how does this relate to theories about boards? There have been calls for frameworks that combine the insights of different theories.^{31,99} One useful model has been proposed by Garratt,³³ drawing on an earlier model by Tricker.⁹⁹ Garratt suggests that there are two main dimensions of the board's role, what he calls 'conformance' and 'performance'. Conformance involves two main functions: *external accountability*, including compliance with legal and regulatory requirements and accountability to shareholders or other stakeholders, and *supervision of management* through oversight, monitoring performance and making sure that there are adequate internal controls. This conformance dimension matches quite closely with the agency theory perspective on governance. In contrast, the performance dimension is about driving the organisation forward to better achieve its mission and goals. This again consists of two main functions, *policy formulation* and *strategic thinking*, to take the organisation forward. The performance dimension is in keeping with stewardship theory of corporate governance. This framework (depicted in *Table 8*) suggests that boards need to be concerned with both the conformance and the performance dimensions of corporate governance.

Carver¹⁰⁰ proposes a 'policy governance' model. He claims this to be a universally applicable theory of governance that, with the board as servant-leader, and a strict separation of governance from management, is a conceptually coherent paradigm of principles and concepts encompassing ends, executive limitations, governance processes and board–ownership and board–staff linkages. The model can be criticised for similar reasons as the weaknesses exposed in agency theory, which it draws from: the distance between the board and the management of the organisation can mean that essential monitoring does not take place, and it might not be fit for purpose during turbulent times in the life cycle of the organisation.

TABLE 7 A realist interpretation framework of board theories, contextual assumptions, mechanisms and intended outcomes

Theory	Contextual assumptions	Mechanism	Intended outcome
Agency	Low trust and high challenge and low appetite for risk	Monitoring and control	Minimisation of risk for owners
Stewardship	High trust and less challenge and greater appetite for risk	Partnership between managers and owners	Excellence in performance
Resource dependency	Importance of social capital of board	Boundary spanning	Inward investment and greater reputation
Stakeholder	Importance of collective effort; risk is shared by many	Collaboration	Long-term added value
Board power	Power relations foregrounded; rests on human desire for control	Use of power differentials	Equilibrium

TABLE 8 The main functions of boards

Focus	Short-term focus on 'conformance'	Long-term focus on 'performance'
External focus	<p><i>Accountability:</i></p> <ul style="list-style-type: none"> Ensuring external accountabilities are met, e.g. to stakeholders, funders, regulators Meeting audit, inspection and reporting requirements 	<p><i>Policy formulation:</i></p> <ul style="list-style-type: none"> Setting and safeguarding the organisation's mission and values Deciding long-term goals Ensuring appropriate policies and systems are in place
Internal focus	<p><i>Supervision:</i></p> <ul style="list-style-type: none"> Appointing and rewarding senior management Overseeing management performance Monitoring key performance indicators Monitoring key financial and budgetary controls Managing risks 	<p><i>Strategic thinking:</i></p> <ul style="list-style-type: none"> Agreeing strategic direction Shaping and agreeing long-term plans Reviewing and deciding major resource decisions and investments

Source: adapted from Garratt (pp. 45–7).³³

As an alternative, and of particular relevance, but not exclusively, to the non-profit sector, Chait *et al.*³² propose a hierarchy consisting of three essential components of governance: fiduciary, strategic and generative. Fiduciary duties, or the monitoring and compliance aspects, relate to the legal responsibilities of trustees and to the agency theory of governance. The strategic component relates to the work of the board in setting direction and is closer to the 'performance' aspect of Garratt's³³ two main dimensions of board work. Generative governance is also about performance but it encapsulates leadership through governance and thereby aims for organisational renewal as well as tasks relating to strategy. Boards exercising generative governance can help organisations to unlearn organisational practices that have become unhelpful¹⁰¹ by diagnosing new opportunities, new performance measures and new control systems.

Garratt's³³ and Chait *et al.*'s³² approaches emphasise mainly the importance of task and process, with a relative neglect of questions of composition and dynamics. Stiles and Taylor³⁰ start with the premise that there are three main roles for boards (strategic, control and institutional) but then focus in their empirical study on the 'board at work', examining the contexts and processes that influence, constrain and enable the degree to which they are able to carry out their functions. Recent literature increasingly distinguishes between board structures and processes.¹⁰² There is an argument that the key to unlocking the 'black box' of board theories and effective board practices may lie in pursuing insights into three key elements – the composition of boards, the focus of board effort and board dynamics – and that these insights may point to the emergence of a refined composite theory for boards.

Composition of boards

Senior executives of the enterprise comprised a majority on boards at the time of writing of Berle and Means²² in the early 1930s, and it was these that were the focus of the authors' concerns about the distancing of management from ownership control. Since that time there has been a rise in the proportion of outside or non-executive directors on boards representing the interests of shareholders and owners. In addition, there has been the evolution of different board structures – in particular the unitary US/Anglo Saxon model in which managers and outside directors sit together on a board, in contrast to the two-tier Rhineland model, typified by the German *Vorstand* (management board) and *Aufsichtsrat* (supervisory board). To address the perceived problems outlined in agency theory, there has also been a move to split the roles of chairperson and chief executive, in contrast to a single person holding both positions (CEO–chairperson duality). Stiles and Taylor³⁰ argue that even the unitary board is 'internally differentiated' (p. 106), acknowledging that the chairperson, executive director and non-executive director represent different constituencies.

The quest for the ideal board form seems, from the evidence so far, to be a chimera. In a meta-analytic review of board composition, leadership structure and financial performance, Dalton *et al.*²⁷ found no links between these, and nor did an analysis a decade later focusing on CEO–chairperson dualities and insider/outsider composition.¹⁰³ There is some weak evidence (e.g. from Ireland¹⁰⁴) that boards of a smaller size are related to stronger organisational performance (although this is less significant in smaller firms) and some evidence that a majority of independent/outside/non-executive directors is also associated with better performance.¹⁰⁴

During crises, there is some evidence from the work of Perry and Shivdasani¹⁰⁵ that boards with a majority of outside (non-executive) directors are more likely to initiate restructuring and lay-offs and secure subsequent improvements in operational performance. The authors conclude that board composition in these circumstances has a material impact on board performance. Although the relative numbers of outside directors is of interest, this may also endorse the different role of boards in times of crisis.⁸³

Board diversity (specifically the presence of women – other under-represented groups have received less attention¹⁰⁶) has been examined over a number of years. Some authors have found positive¹⁰⁷ and others negative¹⁰⁸ effects on ability to achieve strategic change and on firm performance; one meta-analysis has concluded that there is no effect on organisational performance – at least in the USA.¹⁰⁹ There are some straws in the wind, however, that greater social diversity in the boardroom may enhance board strategic efficacy and, hence, firm performance.¹¹⁰ A study of 1500 US public companies published in 2012 found that, on average, the companies managed by a female CEO performed better.¹¹¹ A burgeoning literature indicates growing recent interest in this field.^{38,106,112,113} Sealy *et al.*¹⁰⁶ make the case for increasing the number of women on boards founded on four main lines of argument: the need to tap into the widest possible talent pool; the fact that diverse boards understand their stakeholders better; it prevents ‘groupthink’; and the increasing (recent) evidence that women on boards are associated with better firm performance. Others¹¹⁴ make the point that, to avoid token theory,¹¹⁵ at least three women are required on boards to make any difference.

The Davies report¹¹⁶ identified that women made up only 12.5% of UK FTSE 100 boards by the year 2010, a very low rate of increase from 9.4% in 2004. It found evidence in its review that women on boards can improve bottom-line organisational performance by modes of behaviour that are different from those of their male counterparts, by more conscientious preparation for meetings and by asking awkward questions more often, thereby enhancing board independence. A recent literature review of women on corporate boards summarised the evidence about the differences that women on boards can make. This is presented in *Box 8*.

BOX 8 Boards with women are more likely to ...

- Identify criteria for measuring strategy
- Explicitly monitor the implementation of strategy
- Have conflict of interest guidelines
- Ensure that there is a code of conduct for the organisation
- Use search consultants rather than rely on social networks to fill board positions
- Have higher levels of formal board accountability
- Review board performance
- Have director orientation and development programmes
- Promote non-financial performance measures such as customer and employee satisfaction

Source: from Terjesen *et al.*¹¹³

Given some (weak) evidence emerging from private and public sectors about composition, which is discussed more fully in *Chapter 5* in an exploration of links between boards and organisational performance, non-profit boards including social enterprises may need to consider strategies to mitigate against any potentially deleterious effects. What is emerging overall, however, is that the 'right' structure and composition of boards is highly context specific: it isn't that it doesn't matter, but what works effectively in certain circumstances will not in others and there is a degree of specificity that is missing from current research.

Board focus

Board focus appears to be important. The emerging evidence is that high-performing boards across all sectors concentrate on shaping strategy, resource identification and use, and talent management.^{33,117,118} Lorsch and MacIver⁸³ identified four key areas for boards: defining the long term, and taking the lead in finance discussions, strategy discussions and developing talent. All of these authors also stress the importance of matching the weight attached to different board tasks with the prevailing internal situation and external environmental conditions.

Useem's¹¹⁷ research on good practice in the boardroom identified a series of iterative actions that are associated with boards of high-performing organisations. This echoes Garratt's³³ work on board functions and the cycle of board tasks. Clarity about matters that should be reserved for the board is important and these include areas that are symbolically as well as strategically important. The reserved powers of the board in relation to strategy and performance monitoring act as a discipline effect, particularly when the board is known as being proactive and commands respect.³⁰ Useem sums up by arguing that improved decision-making in the boardroom can be generative as well as protective. This relates to Chait *et al.*'s³² line of argument for reframing the work of non-profit boards.

A number of authors cite the importance of strategic planning as the sine qua non of board work.^{119,120} Lorsch and Clark¹²¹ also counsel for more of a focus on the long term and leadership from the board. They argue that there is currently a danger of too much board time spent in the area of compliance, and that the board is too hands-off in the area of strategy, which risks the destruction of shareholder value in the longer term as the organisation, potentially unnoticed, goes into decline. Useem¹¹⁷ urges a relatively hands-on approach to strategy formulation and execution, including breaking down large strategic decisions into smaller sequential ones for board-level consideration.

In Stiles and Taylor's work³⁰ the strategic role of the board is specifically identified by respondents as the primary role of the board. The authors further pinpoint that the board role is not to formulate strategy but to set the context, answering the question, 'What business are we in?', and to act as gatekeeper in relation to strategic choices, reviewing and assessing proposals. This view of the strategic role of the board draws from a number of the main board theories, for example the board, with strong latent power, is acting as a strategic arbiter in accordance with the agency view, and is executing a boundary-spanning role in relation to determining strategic fit with the external environment.

There is some evidence³⁰ that financial control is more formalised than strategic control. This is aided by the universal existence of the audit committee, which scrutinises drafts of financial and control statements and can refer documents back for clarification and amendment. Control systems, including external benchmarking as supervised by the audit committee, can also act as tools for diagnosis but require committee effort to pick out trends, threats and opportunities.³⁰ The social ties that are built in the course of committee work increase a sense of common purpose and support a stewardship theory of corporate governance. The threat is that they can reduce vigilance and therefore the effectiveness of the board as a mechanism of control.³⁰

In support of the pervasiveness of managerial hegemony, Stiles and Taylor³⁰ found that control of the CEO was often relatively weak. CEOs had very strong beliefs in their abilities. The chairperson role in exercising control in these circumstances (as per agency theory) was very important. But the board can be important in weeding out, most likely through informal mechanisms, the underperforming directors.³⁰

Board dynamics

Although most research has examined board composition and functions, there have been increasing calls for a focus on behavioural perspectives. Finkelstein and Mooney¹²² argue the need for going beyond the use of the four 'usual suspects' (proportion of outside directors, size of boards, CEO–chairperson duality and share ownership by directors), which currently drive most of the research about boards of directors. *Figure 3* indicates the principal characteristics of research on boards from 1990 to 2002 and demonstrates the relative dearth of work on the behavioural dimension.

Maharaj¹⁰² identifies the key components of board process as comprising the depth and breadth of director knowledge, the motivation and engagement of directors and transmission channels for information exchange between the board and the rest of the organisation. This is, arguably, more about dynamics, which is the realisation or enactment of process, than about the process per se.

Huse²³ in particular has argued for opening up the 'black box' of board working, a term used often by authors^{9,124–126} indicating the difficulties and challenges of understanding the inner working of boards. He offers a useful contextual framework (*Figure 4*) that can also be seen as a depiction of the 'black box' of boards. On the outside of the box are the internal and external actors, board members themselves and formal and informal structures. Inside the box are organisation behavioural concepts such as trust, emotions, politics and expectations as well as (the process of) internal and external value creation.

Finkelstein and Mooney¹²² argue that board effectiveness depends on the quality of the individuals who become directors and their ability as a group to get the work done and, therefore, attention has to be given to understanding how to develop group and team dynamics. Tsui *et al.*¹²⁷ argue that the negotiation of power sharing, not necessarily equalisation of power, between non-executives and managers offers a way out of unhelpful board dominance by one or other party. Pye and Pettigrew¹²⁸ suggest that the study of board practices provides grist for the development of an alternative paradigm to the agency theory of boards, which has dominated the discourse on corporate governance. They further suggest that effective boards are more than the sum of their parts and, although this is so far under-researched and poorly theorised, it is the dynamic of board members working together that adds value to the organisation. This dynamic includes non-executive directors who are 'extraordinary' in terms of their capacity to articulate clearly, their capability and their conceptual awareness and whose relationships are characterised by respect, trust and integrity.¹²⁸

McNulty *et al.*,¹²⁹ in their report for the Higgs review of the role of non-executive directors in the UK, characterise the effective non-executive director as 'independent but involved', 'challenging but supportive' and 'engaged but non-executive'. These dyadic couplets also provide a means of constructing a creative tension between agency and stewardship theories of boards and relate also to Sundaramurthy and Lewis¹³⁰ proposal that boards should practise both control (agency) and collaboration (stewardship) behaviours. Research carried out by Stiles and Taylor³⁰ ranked in descending order the qualities brought by non-executive

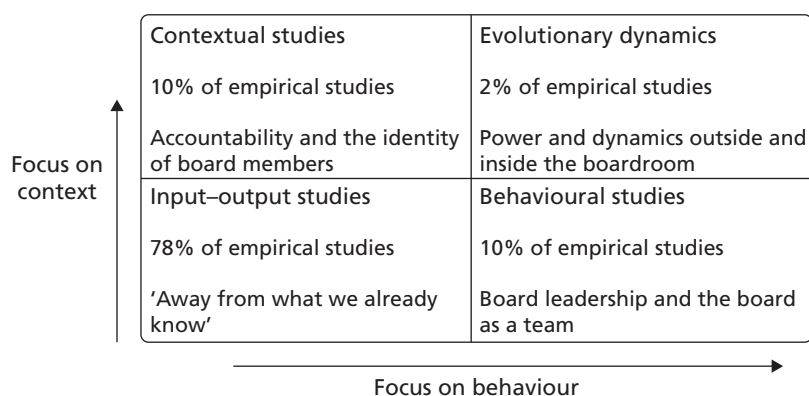


FIGURE 3 Characteristics of research on boards 1990–2002.¹²² Based on Gabriellsson and Huse.¹²³ Reproduced with permission from M. E. Sharpe, Inc.

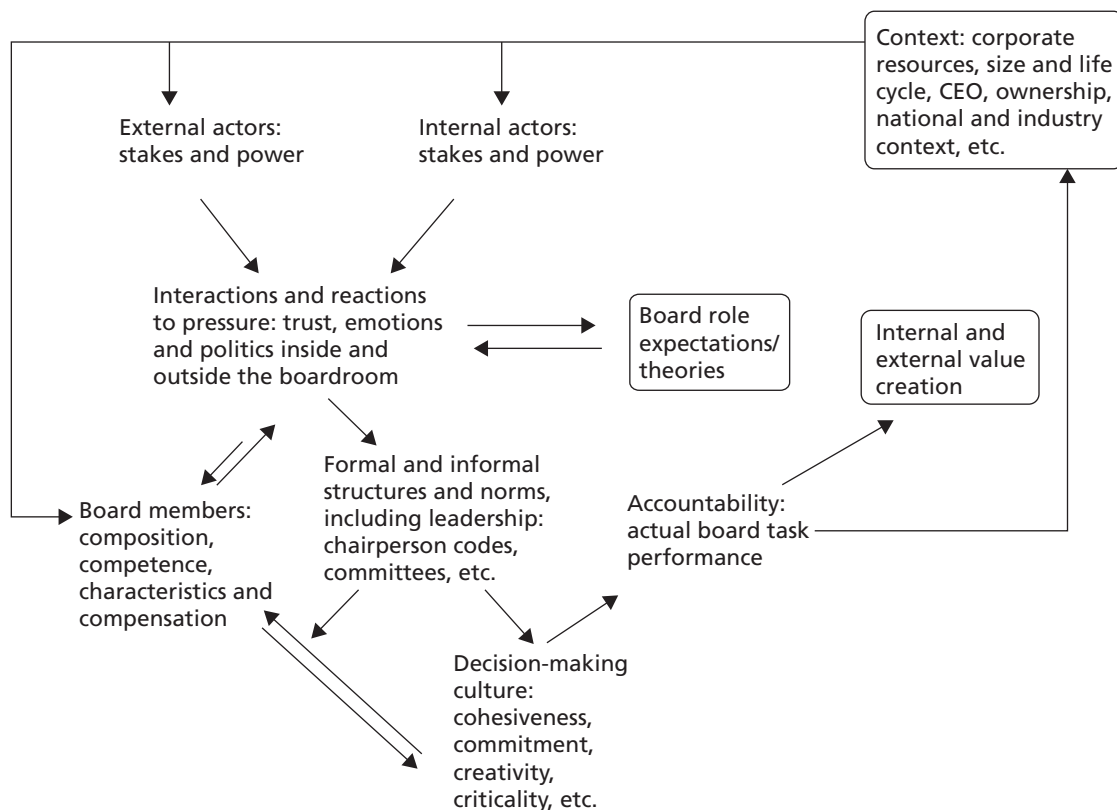


FIGURE 4 Accountability and creating accountability: a framework for exploring behavioural perspectives of corporate governance.²³ Reproduced with permission from Huse M. Accountability and creating accountability: a framework for exploring behavioural perspectives of corporate governance. *Br J Manag* 2005;**16**:S65–79.

directors as, first, objectivity ('outsideness'), second, advice and, third, external/expert/knowledge. This relates to agency, stewardship and resource dependency theories and also maps on to Garratt's³³ notions in his two sets of board tasks regarding monitoring compliance and contributing to strategy. Forbes and Milliken¹²⁵ argue that effective boards combine task effectiveness with group cohesiveness but that this is theorised as curvilinear: both positive interpersonal relations and task-oriented disagreement are high.

In research that examined the effects of the board's working style on board task performance, Gabrielson and Winlund¹³¹ found that, in addition to the significance of formal board structures, the level of board member involvement and the extent of clearly defined working styles was important.¹³¹ This echoes the argument adduced by Pettigrew and McNulty^{86,132} about the extent to which members have the 'will and skill' to exercise board power. Bradshaw *et al.*¹²⁰ and Stiles and Taylor³⁰ note the importance of informal core groups and inner cabinets *within* the board that act for change.

Brundin and Nordqvist¹³³ found that emotions work over the long term and in the moment as power energisers and status energisers in boardroom dynamics and that they are influential in task performance of individual board members. Being aware of the emotions underlying board interactions is thus crucial for being an effective board member.¹³³

In a study of primary health-care organisations in the UK, Abbott *et al.*¹³⁴ found that, although it was part of their remit, board directors often avoided a challenging style in their relationships with the executive, although the possibility that directors might challenge did affect how business was conducted. One obstacle was relative powerlessness, particularly in the face of overload of technical information. The authors did, however, find that the influence of directors in subcommittees was more extensive than typically found in the private sector, with roles as critical friends rather than as scrutineers. They conclude that these boards are better understood as part of a network in which accountability is embedded, strategy is emergent and the predominant mode is negotiation rather than command and control. This accords with the stewardship and

stakeholder models of boards, and complements the evidence that, in times of turnaround, the role of the board committee comes to the fore as potentially a safer place to ask searching pertinent questions that challenge the status quo.¹³⁵ It suggests that 'hands-on' boards may use their 'will and skill' in more subtle ways than merely through formal board meetings.

Trust is an important notion used by Roberts *et al.*²⁹ Trust builds on the free flow of information and the subjugation of personal interests³⁰ and can be either competence based or integrity based,^{136,137} the former more closely allied to agency theory and the latter to stewardship theory. In an integration of the two, ideas such as 'distanced closeness' and 'simultaneous independence and interdependence' were utilised in these studies by Huse.¹³⁷

Four concepts in the behavioural tradition that have been applied in recent board research are bounded rationality, 'satisficing' behaviour, organisational routines and bargaining among coalitions of actors.¹³⁸ Coombes *et al.*,¹³⁹ in a study focused on the non-profit sector, argue that boards can be characterised by underlying behavioural dimensions that go beyond issues of composition and structure. Furthermore, they posit that a board's behavioural orientation represents a key source of value creation. Behavioural orientation represents a fairly stable, collective tendency of the board towards particular behaviours. Examples of behavioural dimensions include the extent to which the board is strategic/operational,^{140,141} cohesive/fractionalised,¹⁴² active/passive³⁴ or progressive/conservative.¹⁴³

In relation to an evolutionary framework for boards, Stiles and Taylor³⁰ observed a negotiated order emerging with individual directors establishing roles, rights and obligations through interactions over time, and the need for investment in relationship building, which in turn supports a socialising process of accountability: 'these interactions are unique to the firm and its board and are difficult to imitate In terms of research on boards in general, normative theories of board structure may be helpful only up to a point: what really matters is the intangible asset of board cohesion.'

The role of the chairperson also comes to the fore. Kakabadse *et al.*¹⁴⁴ have argued from surveys and interviews in their study of the characteristics of world-class chairmen/women that there are six essential and distinctive chairperson 'disciplines' that do make a difference on a board. These comprise delineation of boundaries with the CEO, sense-making, interrogating the argument, influencing the outcomes, living the values and developing the board. This lends weight to the good corporate governance practice guideline in the UK and Europe (in contrast to the USA) of separating the chairperson and CEO roles.

The emerging evidence concerning the behaviours of effective boards leans towards a comparatively 'hands-on' board with able and relatively engaged non-executive directors. The evidence adds up, supporting the tentative triadic proposition of board dynamics that is able to incorporate a way of working that combines high levels of engagement within a board climate of high trust and high challenge. This connects to a composite theoretical model of boards that combines elements of agency, stewardship and resource dependence and thus represents a development of the dual line proposed by Sundaramurthy and Lewis.¹³⁰ This proposition also has implications for the workings of non-profit boards aiming for generative governance,³² and calls for the framing of a new set of relationships between the management and the board directors.

Conjunction of board role theories and board process practices

There does not appear to us to be a straightforward connection between the main theories about the role of the board and the frameworks for board processes involving structures, focus and behaviours, but for now we have provisionally mapped the likelihood of expected different board practices against the main theories and this is summarised in *Table 9*. Along realist lines, the next step is to interrogate the literature with regard to boards in different contexts to elucidate the potential of this conjunction.

TABLE 9 Conjunction of main board theories and practices

Theory	Practices		
	Composition	Focus	Dynamics
Agency: control of management; managers and owners have different interests ²²	<ul style="list-style-type: none"> Representatives of owners Tendency to homogeneity Tendency to small boards 	<ul style="list-style-type: none"> Supervision of management More focus on compliance Monitoring of performance against targets and objectives Conformance as board task³³ Type 1 fiduciary governance³² 	<ul style="list-style-type: none"> High challenge Controlling Critical style to achieve goals
Stewardship: joint endeavour with management; managers and owners/stakeholders have same interests	<ul style="list-style-type: none"> Unitary, tendency to homogeneity Tendency to smaller boards 	<ul style="list-style-type: none"> Strategic thinking as board task³³ Type 2 strategic governance³² More focus on improvements in performance Use of resources 	<ul style="list-style-type: none"> Appreciative style to achieve goals Collaborative Well-functioning board committees
Resource dependency: leveraging of external expertise and influence as organisation success dependent on fit with external environment	<ul style="list-style-type: none"> Experts, boundary spanners, balance between homo- and heterogeneity Board size varies 	<ul style="list-style-type: none"> Policy formulation as board task³³ Type 3 generative governance³² 	<ul style="list-style-type: none"> Predominantly external focus
Stakeholder: mirroring community and society to ensure that organisation serves its mission and purpose	<ul style="list-style-type: none"> Representatives Tendency to heterogeneity Tendency to large boards 	<ul style="list-style-type: none"> Supervision of management Focus on compliance Monitoring of performance against targets and objectives Conformance as board task³³ Type 1 fiduciary governance³² 	<ul style="list-style-type: none"> Predominantly external focus Tendency to be active in relation to sectional or political interests

Contextual and evolutionary theories

In a study critiquing the assumptions behind agency, stewardship and resource dependency theories in links between boards of directors and organisational performance, Nicholson and Kiel⁵⁶ found that, although each theory can explain a particular case, no single theory explains the general pattern of results. The authors suggest that the board–performance link is likely to be highly dependent on context-specific situations such as stage of organisational life cycle, sector regulation and competitive conditions.

Huse¹⁴⁵ posits that the contextual factors mostly used in corporate governance research are national, geographical and cultural differences; the industry and the industrial environment of the corporation; ownership dispersion and types; and firm size and the actors (board members and managers).

Using an evolutionary frame, Hermalin and Weisbach¹⁴⁶ indicate that boards develop over time and adopt different behaviours according to the organisation life cycle. For example, there is a heightened role for the board in periods of crisis or transition,⁸³ which can be followed by ‘coasting’ according to the stress/inertia theory.⁸⁷ In a study examining the impact of CEO power as a moderating factor in board composition (particularly proportion of outside directors) and organisational performance, Combs *et al.*⁹⁶ argue that outside director-dominated boards are best in the early years as Shen¹⁴⁷ suggests but are harmful in the

intermediate years when the CEO is implementing his or her ideas and necessary later when the CEO's power is growing.

Ho and Williams¹⁴⁸ analysis of 286 firms in South Africa, Sweden and the UK did not find a significant link between four board features and corporate performance across the three nations. Individual board features were found to influence corporate performance in isolated cases. The results provided evidence that, even under different sociopolitical and economic conditions, governance needs vary across firms. These findings lend further support to the notion that uniform board structures should not be mandated.

Somewhat paradoxically, corporate governance convergence has been identified alongside increasing contextual divergence.³⁶ As a result of the rise of global markets, Europe stakeholder capitalism is of growing interest to the traditional US/UK believers in shareholder capitalism, and Japanese collective capitalism is now identified with superior rates of innovation and renewal.³⁶

Zald¹⁴⁹ argued that board behaviour is likely to vary based on two organisational characteristics, the first in relation to different phases of development (life-cycle stages) and the second in relation to activity (in times of crisis and transformation and when organisation identity is questioned), to which Miller-Millesen¹⁵⁰ would add the degree of professionalisation. Callen *et al.*¹⁵¹ showed for a sample of US non-profits that board mechanisms related to monitoring (in accordance with agency theory) are more likely to be effective for stable organisations, whereas board mechanisms related to boundary spanning (resource dependency) are more effective for less stable organisations, confirming Miller-Millesen's¹⁵⁰ contention that, because the non-profit environment is often more complex and heterogeneous than the for-profit world, no one theory describes all tasks of non-profit boards. Ostrower and Stone¹⁵² have developed a contingency-based framework for understanding the influences on non-profit boards, which emphasises the need to take account of and pay more attention to differences in the external environment as well as internal differences in organisational size, complexity, maturity and degree of professionalisation.

Conclusions

There are a number of conclusions that we can begin to draw using context–mechanism–outcome configurations. We have seen from *Table 9* on the conjunction of main board theories and practices that board composition and practices can be mapped against particular board theories. Furthermore, *Table 8* outlines a realist interpretation framework of board theories, contextual assumptions, mechanisms and intended outcomes. This suggests that the use of certain mechanisms may be more appropriate than others, depending on what the priority is in terms of organisation outcome. If the overarching aim is efficiency and minimisation of risk, an agency approach with relatively high challenge and a higher proportion of outside directors may be called for. If, on the other hand, innovation is prioritised, a different board structure may be called for, with a smaller board and a greater proportion of insider directors. At the start-up stage of the organisation life cycle, board composition may need to include boundary spanners to build legitimacy with external partners, but the board may also need to allow some rein to inside directors/executives to develop strategy. If outcomes for the longer term are seen as valuable, a stakeholder model for the board may be an appropriate choice.

The research also indicates that the choice of mechanism, depending on the context, is likely to lead to certain outcomes and may close off others. For example, a stewardship-style board will lead to high levels of partnering, which might be to the detriment of appropriate challenge, and unacceptably high levels of risk to the future viability of the organisation, particularly in environmental conditions of strong competition.

In relation to board dynamics, the contingency lens signals that the 'mechanism' (in realist terms) of the initial programme theory of the engaged board (high trust/high challenge/high engagement), which was outlined in *Chapter 1*, is likely to have different outcomes according to different contexts. Given what we have identified earlier, this kind of dynamic is likely to work best in a relatively stable environment and with an organisation in a growth or a mature phase in which the focus is on maximisation of performance rather than minimisation of risk. Some of these dynamics may need to be modified in other conditions, for example in a

start-up phase, or when there is strong competition, an unstable environment or managerial hegemony threatens the organisation in the longer term.

Building on this discussion of different contexts, *Chapter 3* explores the distinctive characteristics of the boards of NPOs along with health-care boards and government body boards to begin to offer an explanatory framework for understanding what might constitute the characteristics of effective boards in the NHS.

Chapter 3 Theories about health-care boards

Having set the scene in relation to theories about the role and practices of boards in general, this chapter outlines how theories and evidence about how boards operate can help NHS boards in their work, making use of the literature about non-profit, social enterprise, public sector and health-care boards. Eeckloo *et al.*¹⁵³ argue, from a European perspective, that because of the unique societal position of hospitals, especially the large diversity of shareholders/stakeholders and the strength of professional groups, the principles of corporate governance cannot be translated without specific adjustment but that corporate governance theory can provide a comprehensive frame of reference to draw from.

In the following sections we briefly summarise the relevance and utility of general corporate governance theories and frameworks for the public and health-care sector before examining the specific literature about, first, non-profit boards, second, public sector boards and, third, health-care boards to begin to discern patterns and clues that might support NHS boards in their work. We then point to the contingency and evolutionary theories and frameworks that suggest an emerging typology of choices that boards face within a realist perspective. This chapter concludes with a critique of the guidance that has been on offer to NHS boards and locates that guidance within a meta-narrative map of predominant influencing governance theories and frameworks.

Relevance and utility of general corporate governance theories for the public and health-care sectors

With regards to agency theory, there is some ambiguity in identifying the specific proxy in public sector boards for the principals or owners. Cornforth³¹ argues that trust law for charitable non-profit boards, in countries such as the USA and the UK, reflects an agency model of governance even more closely than company law, particularly with the separation of the board of trustees from management, unlike on commercial unitary boards and some forms of public sector boards including NHS boards (with the exception of the council of governors in the case of NHS foundation trusts). There remain some difficulties with the sufficiency of agency theory on its own as a corporate governance frame in general for the public and non-profit sector. It diminishes the purpose of the board in terms of setting the mission and values for the organisation and, further, it contains the inherent assumption that the board's main role is limited to the detection of neglect or malfeasance on the part of management.

In relation to stewardship theory, for public organisations this theory holds some intuitive appeal, with trustees and managers both sublimating their personal interests in pursuit, implicitly if not explicitly, of their organisation's philanthropic goal. In relation to resource dependency theory, for public sector organisations, productive relationships with policy actors, media and local representatives of various kinds, including politicians, play an important part in securing recognition, approbation and other forms of support and it can therefore be argued that this theory has a high degree of relevance. The relevance of stakeholder theory for public sector organisations, on the other hand, is that it legitimates the board because the stakeholders between them represent society and the range of end users that the organisation is serving. For public sector organisations, predominant models of the exercise of board power offer only partial utility, when the purpose of the organisation is philanthropic rather than to return a profit. Social performance¹³⁹ as well as financial performance is important. In addition, it is open to question whether or not these boards are able to exert significant influence on management given the constraints on board members' power – the dependence on management, the part-time and often voluntary nature of the role – and not to have unrealistic expectations of boards.⁵

None of the theories encapsulates a *wholly* satisfactory explanation for boards of organisations that exist to 'do good'. The terrain is characterised by complexity in terms of the multiple locations of the evidence across different disciplinary traditions, by weakness and ambiguity in terms of association and causation and

by the influence of contextual factors on board characteristics and effectiveness. For the public sector there is an added complication that 'performance' cannot be measured solely by the usual financial metrics such as return on investment, favoured by the corporate sector, but by service excellence, social value or social performance and also equity and efficiency. Effectiveness in the non-profit sector is thus a social judgement created interactively through the process of reality construction.¹⁵⁴

This initial review nevertheless indicates that there is much that resonates with the work of boards in the public sector and that is helpful in explaining what the role and purpose of the boards are. As appendix 1 to The Healthy NHS Board notes (p. 40),¹⁵⁵ each of the theories highlight particular and important aspects of the role of boards. Agency theory clearly articulates the need to monitor the activities of management. Stewardship theory, on the other hand, offers the power of the 'joint endeavour'. Resource dependency theory highlights the impact of external influences and leveraging of expertise. Stakeholder theory is persuasive about the need for organisational and societal inclusivity. Theories about board power point to the need to be cognisant of the dynamics of boards. Frameworks for board activities remind us of the need for covering off the range of essential tasks in cycles or calendars and also the need to modulate the style of board working along a continuum from transactional (for compliance) to transformational (for major generative strategic change) leadership.

We now examine the distinguishing features of non-profit boards including social enterprises, public sector boards and health-care boards (which may fall into one or other of the first two categories or indeed form part of the private for-profit sector).

Non-profit boards

Pointer and Orlikoff¹⁵⁶ argue that, although they are stakeholders and not stockholders, and they are volunteers with no direct economic interest in the organisation, the obligations of non-profit board members are essentially the same as in the commercial sector. They argue that the board acts as the agent of stakeholders and is required to advance their interests and in ways that benefit them. This relates to agency theory, which carries assumptions around the protection and control of owners' (or in this case stakeholders') interests. Drawing from Carver's policy governance model,¹⁰⁰ Pointer and Orlikoff suggest that non-profit governance should be based on a set of universal principles (they name 64).

Despite an argument that the primary aim of NPOs is survival, through fund-raising, fees and grant gaining, there is an expectation¹⁵⁷ that non-profit boards will mimic corporate sector boards. These authors found that, in practice, together with greater diversity in composition, they deliberate and operate in ways that are distinctive from their corporate counterparts and are more likely to engage in operational management and to embrace a stakeholder model of board working. It is argued that boards of directors generally play a relatively more active part in guiding and controlling NPOs than for-profit firms.^{158,159} They ensure compliance with stakeholder interests, communicate with the public and establish trust-based relationships that can generate additional resources.¹⁶⁰ The board is the custodian of the organisation's social mission,¹⁵⁹ while working to discourage managerial opportunism and protect stakeholder interests.¹⁶¹ Studies have demonstrated that the NPO board can significantly impact organisational performance, while also having a direct influence on the behaviours of managers and employees within these organisations.¹⁶² Cook and Brown¹⁰⁷ found in their study of NPOs that, in particular, having greater organisational awareness and clarity of shared managerial responsibilities were associated with the boards of more effective organisations. Chait *et al.*³² trace recent changes in the characteristics of NPOs that have consequences for their boards. The managers have developed from administrators to sophisticated leaders and, in turn, their trustees are becoming more like managers: 'Non profits want a Noah's Ark of professional experts. As a result many boards resemble a diversified consulting firm with specialties in law, labor, finance, marketing, strategy and HR' (p. 4),³² which predisposes them to managerial work, presenting both a challenge and an opportunity in terms of board focus and dynamics. The composition and dynamics of NPO boards relate closely to a stewardship theory about boards (the joint endeavour with interests in common) as well as stakeholder and

resource dependency frames, which view board members as reflecting community constituencies as well as acting as valuable boundary spanners.

There is a growing body of empirical evidence to support particular behavioural dimensions as a source of value creation in NPOs. As Coombes *et al.*¹³⁹ report, it has been demonstrated that the board's vigilance in setting expectations and clarifying responsibilities,¹⁶³ active participation in developing board members¹⁶⁴ and willingness to invest more time¹⁶⁵ and to work in a decentralised way³⁴ with regular reviews of its own effectiveness¹⁶⁶ are associated with performance outcomes. This study by Coombes *et al.*¹³⁹ found links between an entrepreneurial orientation and board characteristics of cohesiveness, activism and strategic focus and these were also associated with enhanced social performance although not financial performance. This echoes Gabrielsson's³⁹ findings in medium-sized companies that entrepreneurial posture was associated with actual involvement of boards in decision-making and control.

Brown *et al.*¹⁶⁷ found that gender, experience as a non-profit board member, service on other non-profit boards, mission attachment and training were the most consistent predictors of confidence and participation in board activities.

Context within the non-profit sector has been found to be important. Callen *et al.*¹⁵¹ showed for a sample of US non-profits that board mechanisms related to monitoring (in accordance with agency theory) are more likely to be effective for stable organisations, whereas board mechanisms related to boundary spanning (resource dependency) are more effective for less stable organisations, which the authors see as a confirmation of Miller-Millesen's¹⁵⁰ contention that, because the non-profit environment is often more complex and heterogeneous than the for-profit world, no one theory describes all tasks of non-profit boards.

Social enterprises can be conceived as a subset of NPOs, with both social and business goals as well as social ownership. In the UK, these are not just a conceptual category but also increasingly a policy vehicle for the delivery of welfare services.¹⁶⁸ Spear *et al.*¹⁶⁸ have developed a typology of social enterprises that includes mutuals, new-start social enterprises, trading charities and public sector spin-offs, of which the last is most relevant for this study. The authors go on to identify the specific challenges for these organisations, particularly in the early phases of establishment, which include transfer of staff out of the statutory sector, selection of appropriate governance and management mechanisms and more ambitious arrangements for the involvement of users.

In the case of not-for-profit and government-owned corporations, research by Nicholson and Kiel⁵⁶ has suggested the importance of an explicit statement of organisational goals and values if the board is to monitor its performance in relation to owner or member expectations. Performance in not-for-profit and also in government-owned corporations can be measured against such goals as fulfilling the organisation's mission, success in mobilising resources and staff effectiveness, in addition to financial performance.¹⁶⁹

Public sector boards

Created for public boards, Carver's¹⁷⁰ policy governance model enables public boards to govern by making public values explicit, crafting the expression of those values for practical managerial effect. One intended effect is more authoritative boards as well as more empowered management; another is greater integrity in the relationship between the public and its boards. The 'owner representative' role of the board is the source of both board authority and board obligation for servant-leadership to answer to the public, discerning, determining and fulfilling the general will, and rising above the agendas of particular interest groups.^{170,171} Carver sees public boards as a derivative of ownership not of management, focused on ends not means, and, in contrast with the dominant paradigm of the non-profit sector delineated in the previous section, quite separate from and not jointly engaged with management in delivery of the organisation's objectives. Carver (p.61)¹⁷⁰ cites JS Mill (p.117)¹⁷² in support of his thesis: 'talking and discussion are their proper business, while doing, as the result of discussion, is the task not of a miscellaneous

body, but of individuals specially trained to it'. It could be argued that to some extent this view chimes with stakeholder theory (the servant-leader notion) embedded in agency theory (the strict separation of action from monitoring).

The normative position, at least since the advent of new public management principles,²⁵ is that public sector boards should follow the example set by the commercial sector. There has been some concern expressed that there are transferability problems and issues of institutional isomorphism.¹⁷³ This is a pressure to conform to prevailing social norms and, in this case, when governance structures, rituals and procedures are copied and reproduced without regard for their fitness for purpose for the public sector, as well as there being concerns about blurred accountabilities, the absence of truly independent chairpersons because of appointment processes, the subversion of formal authority and the absence or weaknesses of safeguards against political patronage.¹⁷⁴

School boards

In a further embedding of new public management principles and practices in the case of school education, government reforms in the UK have devolved key responsibilities to governing bodies as part of the 'local management of schools' policy in England and Wales.⁵ These school governing bodies are now corporate bodies with responsibility for quality of education provision, finance and staffing. Three main roles for governing bodies for schools are to set the strategic framework within which the head teacher will manage the school on a daily basis, to support the work of the school, while offering challenge through regular monitoring and evaluation of progress against agreed objectives, and to ensure accountability through the provision of information both to, and from, the governing body.¹⁷⁵ In terms of being held to account, and in a further decentralising twist, and a playing out of stakeholder theory, there is some evidence to suggest that governors have a stronger sense of accountability to parents and students than to government, inspecting bodies or local education authorities.¹⁷⁶ The term 'critical friend', which was first used in the education sector in relation to the role of the school governor, has now been imported for use elsewhere, particularly in relation to one of the key functions of public sector boards. It relates to both agency and stewardship theories, supporting notions of both challenge and support.

Unlike in other public sector bodies (e.g. in health), the stakeholder model is very apparent in the composition of school governing bodies, with typically up to eight categories of governors from the different constituencies of interest (e.g. staff, parent, education authority, faith group) and between nine and 20 governors depending on the size and category of school.¹⁷⁵

In practice, Farrell¹⁷⁷ found that school governing bodies were often not involved in strategic leadership or policy direction, with head teachers more likely to play the lead role in these areas. The Joseph Rowntree Foundation has reported that governors are under-resourced to carry out their full range of functions and experience some confusion over their representative role compared with their expert contributions in support of the work of the school, and that a smaller and more strategic body may be better suited to fulfil the governance requirements.¹⁷⁸ Both the Centre for Public Scrutiny¹⁷⁹ and PricewaterhouseCoopers¹⁸⁰ have also recommended a more slimline governance model, including a separation of the executive and scrutiny functions of the governing body, which would bring the structure of school bodies more in line with local government governance structures.

The governing bodies of the new school academies initially set up to take over failing schools in deprived areas, and now advocated for all as a key plank of government education policy, mark a radical departure from the stakeholder approach. Academies are state-funded all-ability schools, but they are also companies limited by guarantee with charitable status. The original academies have smaller boards and the sponsor or governing body is allowed, by agreement with the government, to appoint the majority of the trustees (governors) and to determine the governance arrangements.

Health-care boards

The literature on health-care board governance is dominated by empirical studies of (mainly US) hospital boards. Of 209 article abstracts reviewed, 120 were specifically about hospital boards. Some, for example Alexander's series of US hospital governance surveys,^{181–185} relate to boards both in the non-profit and in the public or government sector, and distinguish between these only as a second-order consideration. Nevertheless, there are a small number of studies about UK health-care boards that have tracked over time, with the advent of new public management principles, the rise of corporate governance arrangements that borrow heavily from the private sector, and more latterly a growing preoccupation with issues concerning the clinical quality of services.^{25,186–190}

Theory

The study of boards is beset by methodological weaknesses, as described by Peck.¹⁸⁶ Three common sources of data are the accounts of board members, the minutes of meetings and observational studies. Peck argues that none of these are sufficient on their own to provide robust findings but that triangulation offers a way forward; for example, in this study, all three methods elicited that strategy was discussed and received but not formulated by the board.¹⁸⁶

Board composition

Despite having the provision of a service as its mission rather than the production of profit, the evidence indicates that health-care governance structures exhibit a hybrid of the corporate and philanthropic models, sometimes dependent on circumstances such as technical (market) or institutional (regulatory) pressures and on environmental conditions such as urbanisation and degree of competition.^{191,192} These respective models (with particular differences in board size, representation, compensation of board members and committee structure) can be said to relate to agency theory, in the case of the corporate model, and to a combination of stewardship and resource dependency theories, in the case of the philanthropic model. Alexander and Lee¹⁹³ found that corporate as opposed to philanthropic models of governance were associated with greater efficiency and a larger share of the local market, and that these findings were more pronounced in publicly run hospitals than in others. Eeckloo *et al.*¹⁵³ argue that Pfeffer¹⁹⁴ develops and draws on resource dependency theory in particular in his analysis of the boards of four different types of US hospital organisation (stand-alone not-for-profit, system-affiliated not-for-profit, government-funded and -operated and private for-profit hospitals) and found value in Selznick's¹⁹⁵ view that the organisation must come to terms with its environment, seeking necessary funding and legitimacy in an appropriate organisation–environment linkage. Size and function of the board, particularly, were found to be related to the role of the organisation in the local health system.

Alexander and Lee¹⁹³ attempted to determine whether physician board participation enhances or impairs the operational performance of a hospital. Two theories – managerialism and agency theory – are compared to determine whether participation on the hospital board by inside (i.e. medical staff) and outside physicians provides informational advantages (managerialism) or poses the threat of opportunism (agency theory). Using hospital operating margin to measure hospital performance for a 4-year period (1985–8), the findings indicate that boards with inside physician (medical staff) participation had significantly better performance than those without such physician participation.

Recent work published by Veronesi *et al.*¹⁹⁶ has identified a low proportion of clinicians on English NHS boards (on average 26%) and that doctors make up only 14% of English NHS board members. The authors also found that there was a significant association between higher numbers of doctors on boards (but not other clinicians) and improved patient satisfaction and decreased patient morbidity. Supportive of the managerialist perspective, the earlier findings from the USA and these more recent findings from the UK suggest that medical staff board participation can enhance operational performance.

In an historical account that mirrors the challenges facing the council of governors of NHS foundation trusts today, Gorsky¹⁹⁷ reports that patient and public involvement in mass hospital contribution schemes,

which significantly helped to ensure the financial survival of the independent voluntary hospitals in the first half of the nineteenth century, did not result in significant worker representation and decision-making on the governing boards, which they were, as a consequence of their financial stake in the business, allowed to participate in. Gauld¹⁹⁸ reports on the New Zealand experience, since 2001, of having elected health-care boards as a mechanism for improving public participation in planning and decision-making about health services, along stakeholder governance theory lines. The process in practice has been dominated by low turnout at elections, with no interest or lack of knowledge being cited as reasons for not voting, and the process has also not resulted in board representation emerging from the minority communities. It has, on the other hand, resulted in greater public involvement in oversight of health care and the author therefore concludes that elected boards can be seen as one tool in the armoury of increased public participation.

Local boards in the English NHS since 1990 are derived in structure from the Anglo Saxon private sector unitary board model that predominates in UK and US business.^{25,33} The unitary board typically comprises a chairperson, chief executive, executive directors and a majority of appointed independent (or non-executive) directors. All members of the board bear collective responsibility for the performance of the enterprise, a composition and function that reflects a hybridised agency (monitoring) and stewardship (joint endeavour) model of boards. First established in 2004, NHS foundation trusts on the other hand are independent public benefit corporations modelled on co-operative and mutual traditions, which by 2010 encompassed more than half of the acute hospitals and almost three-quarters of specialist mental care providers in England (p. 9).¹⁹⁹ The governance structure of foundation trusts comprises two boards – a board of governors (up to about 50 people) made up of people elected from the local community membership and a board of directors (around 11 people) made up of a chairperson and non-executive directors appointed by the governors, and a chief executive and executive directors appointed by the chairperson and approved by the governors. This whole structure resembles the Anglo Saxon unitary board model we have seen adopted by the English NHS but is nested within a two-tier European or Senate model, commonly found in the Netherlands, France and Germany and reflecting more closely a stakeholder theory of board governance.

Board focus

We have already seen that a core role for boards is in the development of strategy. In relation to the board's involvement in strategy, Golden and Zajac¹⁴¹ found that, in the governance of hospitals, board processes and demography significantly affect strategic change.

An early study on hospital boards divided them into externally focused 'analyser' or 'prospective' boards and internally focused 'defender' or 'reactive' boards and found that the former were more effective in competitive environments, concluding that health-care boards need to adapt to suit circumstances.²⁰⁰ More recently, using a configurational perspective, Lee *et al.*²⁰¹ have developed a taxonomy of board roles from a study of 1334 American hospitals. They describe five distinct clusters, determined by the extent to which boards are active in the three areas of strategy, evaluation (performance monitoring) and external relations. The five types of boards that the authors have identified are strategic active, evaluative and strategic active, balanced active (across all three areas), strategic and external active, and inactive. The authors found an association between environmental characteristics and the dominant roles that the boards have assumed, and argue that the effectiveness of the board and its impact on performance may be determined by the match between the balance of roles taken up by the board, the characteristics, attributes and composition of the board and the internal organisational and external environmental conditions. This is endorsed by Ford-Eickhoff *et al.*²⁰² who found that boards with broader expertise that mirrored the complexity of the particular external environment were more externally focused and were able to grapple better with upstream strategic decision-making. Emslie *et al.*²⁰³ found two particular associations in the health-care sector: first, that as well as a higher overall score, board attention to the area of strategy is strongly linked to good financial performance; second, that board focus on politics (defined broadly as relationships with internal and external stakeholders) is related to higher levels of staff satisfaction. McDonagh and Umbdenstock,²⁰⁴ using the same board performance tool, found that higher performing hospital boards also had better performance most notably in profitability and lower expenses.

In a small study of 12 health-care organisations, Judge and Zeithaml²⁰⁵ found that health-care boards were comparatively more involved in the formulation, evaluation, revision and probing of strategy than their private sector counterparts and that active involvement at the more upstream stages of strategy formulation and evaluation was associated with higher profitability. There are, however, some worrying signs that the strategy space for UK health-care boards, either carved out for or by them, may not be very great. Chambers *et al.*¹⁹⁰ found that boards of UK hospices had a lack of involvement in strategic matters. Addcott¹⁸⁷ explored the role of cancer network boards in London and found limited strategic influence, with constraints due to the continued emphasis of centralised performance management and structural reconfiguration and a resulting confused and conflictual framework. A documentary analysis of the work of 15 primary care organisation boards in England and Wales uncovered that more attention was paid to 'second-order' functions such as finance and administration than to clinical and service issues.¹³⁴ The authors concluded that the board role in setting strategy and monitoring performance may be overshadowed by central government activity in those areas but that the nature of its challenge was as part of a 'policy network' in an environment of multiple accountabilities rather than a simplistic top-down model of an organisation accountable to a board.

In a study of the newly constituted boards in the NHS in the 1990s, and drawing from the evidence available at the time, Ferlie *et al.*²⁵ also argued the case for a strong focus for the effective board in both formulating and evaluating strategy. They found varying emphasis on this in practice. The authors identified four different levels of involvement in strategy: level A was rubber stamping with some questions of clarification, level B involved some probing with occasional matters sent back for further consideration, at level C there was significant board involvement in deciding strategic options and at level D the board itself shaped the vision and strategic priorities. Most organisations were found to be at level B and it was noted that moving up beyond that required sustained hard effort.

In relation to clinical quality, Miller and Gutmann,²⁰⁶ writing from a US perspective but with resonance for other countries including the UK (which introduced the discipline of clinical governance out of medical audit), argue that there is an emerging paradigm in relation to board oversight of the quality of health care, building on recent developments with regard to comparative quality data, the introduction of financial incentives for higher quality and press coverage of quality failures. The health-care board may therefore be moving away from its tradition of deferring to medical staff in this area, a lack of confidence and state of affairs dubbed 'angel syndrome',¹⁹⁰ and becoming involved in this territory. Jiang *et al.*²⁰⁷ found that a board focus on clinical quality, and in particular a single board quality committee with physician leader representation and involvement of other board members, and a remit that included scrutinising performance against national benchmarks and setting strategic goals for quality improvement was associated with better processes of care and with lower mortality. The authors use their empirical findings to endorse Reinertsen's²⁰⁸ will-execution-constancy of purpose framework in relation to board oversight of clinical quality of care.

There may be some way to go in English health care with regard to a sustained clinical focus. Chambers *et al.*¹⁹⁰ found a lack of confidence among hospice trustees in challenging management on the quality of clinical care. Endacott *et al.*²⁰⁹ analysed the minutes of 105 English NHS trust board meetings and found variation in the proportion of clinical items noted of between 0% and 51%.

Dynamics

Alexander *et al.*¹⁸³ remark on the increasing embeddedness of health-care governance structures, with two-thirds of US institutions surveyed in 1997 reporting that they are not completely independent but have reporting and/or financial linkages and dependencies with other bodies and are thus part of a complex superordinate and subordinate governance network, referred to also by Lynn²¹⁰ as part of the 'logic of governance', the system of hierarchically organised and multiple-layered institutions that have a bearing on outcomes. Provan²¹¹ explored the theoretical issues for boards in relation to autonomy and dependence but did not find, as expected, a straightforward ceding of influence in the case of system-affiliated boards of health-care organisations. Morlock *et al.*²¹² found that CEOs in hospitals involved in multi-institutional

arrangements had more decision-making influence, although also were held more accountable by their boards, and at the same time there were lower levels of formal involvement by medical staff. In the English context, complexity arises from the governance of health-care commissioning, which, particularly in relation to prevention and well-being, is dependent on partnerships, whereas the performance management regime that monitors delivery of objectives is focused on single organisations.²¹³

Starkweather²¹⁴ outlines the 'convenient fiction' around hospital board power by outlining the gap between actual board practices and the official functions of the board. Twenty years later, and echoing Morlock *et al.*'s study,²¹² Alexander *et al.*¹⁸⁵ report two seemingly contradictory findings: hospital boards over time (1989–2005) are exerting a stronger scrutiny role, and at the same time CEOs are more closely involved in board governance. This suggests an intensification of monitoring (agency theory) at the same time as an enhancement of stewardship theory-like behaviours.

In the context of the NHS in England, a qualitative study by Veronesi and Keasey¹⁸⁸ covering 22 board members on 13 boards, including three foundation trusts, disturbingly finds board members overwhelmingly preoccupied by structural concerns, poorly engaged in strategy and stuck in a 'rut of ratification' (p. 366).¹⁸⁸ The impression given here is of board capture in an extreme manifestation of managerial power.

Peck *et al.*²¹⁵ on the other hand, although acknowledging the seeming failure of boards to grapple effectively with questions of strategy, emphasise the importance of ritual in board meetings in health and social care. This builds on a view that the formal meeting has a social, symbolic and implicit purpose around organisation cohesion and solidarity as much as an instrumental, palpable and explicit purpose (pp. 100–1)²¹⁵ in terms of delivery of board tasks. Furthermore, to adequately reflect the complexity of aims and cultures in the health and social care setting, the authors argue for the adoption of requisite variety in the ritual of health-care meetings, including distinct rituals for different occasions and for different parts of each meeting, and tolerated spaces where different kinds of organisation forms can be espoused.

Endacott *et al.*²⁰⁹ report on observations of 24 public board meetings at eight English NHS trusts and find that one mode in their study is generally dominant: chairperson led with an atmosphere of collegiality and variable contribution from non-executive directors. This indicates the dominance of a stewardship model, mixed in with managerial power, and the possibility of board challenge being displaced by a pressure to adhere to a collegial norm.

Conclusions

Our emerging conclusions are that the theories and frameworks for boards in general all have some relevance and utility for health-care boards. Agency theory clearly articulates the need to monitor and control the activities of management. Stewardship theory, on the other hand, offers the power of the 'joint endeavour'. Resource dependency theory highlights the impact of external influences and leveraging of expertise. Stakeholder theory is persuasive about the need for organisational and societal inclusivity. Theories about board power point to the need to be cognisant of the realities of the dynamics of boards. Frameworks for board activities remind us of the need for covering off the range of essential tasks in cycles or calendars and also the need to modulate the style of board working along a continuum from transactional (for compliance) to transformational (for major generative strategic change) leadership.

There are, however, some important distinguishing characteristics in the public and non-profit sectors:

- social performance (public value) as well as financial performance is a core purpose
- non-profit board members sometimes invest more of their time and are more predisposed to 'managerial work' than their for-profit counterparts
- public boards may suffer from 'institutional isomorphism' in which governance structures, rituals and procedures are copied and reproduced from the private sector without regard for their fitness for purpose for the public sector

- accountabilities on public boards may be blurred as a result of the influence of political patronage and the subversion of formal authority.

Specifically in health care we found:

- evidence of the importance of an appropriate organisation–environment linkage (cf. resource dependency theory)
- increasing embeddedness of health-care governance, that is, as part of a complex superordinate and subordinate governance network
- hybridised corporate and philanthropic models of governance (in relation to board size, representation, payment of fees for board members, committee structure)
- little involvement in the setting of strategy (as opposed to endorsement of strategy).

This review has also revealed that an analysis of health-care boards along the dimensions of board composition, board focus and board dynamics may be valuable in theory development. There remain under-researched subtleties in relation to board engagement that set the tone for the organisation, and the development of ‘under the surface’ board member relationships internally outside formal board meetings (e.g. in board committees) and externally across welfare institutions in a fast-moving public world where multi-level and networked governance is becoming the norm.

Cornforth³¹ argues that the common paradoxes faced by non-profit and public boards, for example the tension between the representational and professional structures, between conformance and performance, and between controlling and partnering management, are also shaped by contextual factors. Ostrower and Stone¹⁵² have developed a contingency-based framework for understanding the influences on non-profit boards, which emphasises the need to take account of and to pay more attention to differences in the external environment as well as internal differences in organisational size, complexity, maturity and degree of professionalisation. Mowday and Sutton²¹⁶ propose a consideration of the proximity of external contextual influences, the degree of difference between varying contexts and the extent to which the context provides opportunities for or constraints against action as three useful dimensions to add further granularity.

As can be seen from the discussion above on composition, focus and dynamics, there is a strong thread running through the health-care board literature^{191,192,194,201} in relation to evidence of and support for a contingency approach. Provan²¹¹ identified some differences in board decision-making influence in relation to whether a hospital was independent or part of a multi-hospital system. Young *et al.*²¹⁷ find that the matching of board structure with hospital strategy affects financial performance.

The choices for the health-care sector in England, for the increasing number of NHS foundation trusts and social enterprises, are starting to emerge, for example boards may need to be aware of the balance of time and effort they spend on the issues of strategic direction, strategic choices and talent management as well as on monitoring management and on accounting to stakeholders. The balance of board tasks also needs to be attuned to the external environment and its attendant temporal pressures.

This leads us to the following testable propositions, endorsed by the research study advisory group, for further investigation in an examination of the guidance available to boards and empirical studies about the impact of boards on organisational performance:

- size is less important than balance and composition of the board
- the functioning of board committees has an impact on effective board working
- effective boards in the NHS are engaged in strategy and in monitoring and exhibit dynamics of high trust together with high challenge and strong grip/assurance, although context may (see *Chapter 2*) affect the playing out of these dynamics.

Chapter 4 Guidance for boards

Having mapped the theories and frameworks about boards in general, and related that to the literature about health-care boards, we now examine the guidance available from the legal, professional and practitioner literature for boards in general, and then for English NHS boards in particular. The prescriptive or reflective literature is grounded in often extensive but anecdotal experience and applied research (normally surveys and interviews with board chairpersons and members). Although the practitioner literature is often only weakly connected to empirical evidence for effective board working, it is nevertheless worthy of scrutiny, not least because there is some evidence (see also *Chapter 5*) that high-performing organisations have boards that are more likely to follow prescribed practices and procedures (see, for example, Herman and Renz²¹⁸), although causality and direction of causality are not known. We then locate this literature within a broader narrative to identify which theories in practice are most influential and, therefore, what choices and opportunities may be predominantly selected and which foregone as a result of not being part of the dominant discourse. Our work on theories and frameworks for boards suggests that it is useful to organise our findings round the headings of board purpose, composition, focus and dynamics within a realist approach, recognising, along the way, the importance of contingency factors.

Boards in general

The most cited authors in the practitioner literature are Garratt³³ and Carver,¹⁰⁰ with Cadbury's²¹⁹ report on the financial aspects of corporate governance (*Box 9*) leading the field internationally in relation to influential government guidance. In addition, there are publications from consultancies and professional representative bodies as well as from academics with a practitioner focus.

Guidance about the purpose of boards

Conger *et al.*²²⁰ suggest that the public corporation embraces both a concept of property and a concept of social utility (p. 146). Concurring, Garratt²²¹ links the impact of effective boards to the development of civil society (p. 6), thus, in common with Berle and Means,²² intimating a wider role for boards than that of merely maximising financial value for the owners. Garratt also emphasises the need for providing for the long-term sustainability of the business and, hence, creating long-term value as well as immediate benefit for investors. Like Carver, Garratt is more concerned with principles that can be universally applied than with exploring contextual differences, although his definition of corporate governance (p. 12)²²¹ also acknowledges that structures, processes and values have to address changing demands of shareholders and stakeholders. The core of Garratt's line of argument, expanded in his 10 duties of a director (p. 83),²²¹ is the fiduciary duty of directors, necessary to avoid over-reliance on the CEO's ideas, and to hold the company in trust for the future, which very much sits within the agency theory of the purpose of boards.

Guidance about board structure

Conger *et al.*²²⁰ supporting a contingency perspective, argue for different kinds and sizes of boards for different purposes. Successful high-tech start-up companies at the end of the 1990s, for example, broke the corporate governance norms of the time by having mainly very small boards with a high proportion of inside directors and outside directors who had close ties with management. Staying with organisations in their development stage, advisory boards can be valuable in providing new firms with instant credibility, deep technical expertise and industry contacts, although they are sometimes criticised for not having a decision focus. Other organisations are beginning to organise themselves around network-type governance arrangements, for example *net keiretsus*, based on a looser version of the Japanese multitiered firm structure. These are an agglomeration of firms with one central company with cross-ownership stakes with the ability to share back office functions and to capitalise on bulk purchasing. In a variant of this model, established firms sometimes take an ownership stake in start-ups in lieu of acquisition. In another variant, partnership boards are created when organisations come together for a joint venture.

BOX 9 Cadbury's report²¹⁹ on financial aspects of corporate governance: main recommendations

- Separation of top responsibilities (chairperson and CEO) so that no one individual has powers of decision
- Majority of independent non-executive directors (NEDs) on the board
- At least three NEDs on the audit committee
- Majority of NEDs on the remuneration committee (which decides pay of top managers)
- NEDs to be selected by the whole board

Garratt²²¹ argues strongly for a separation of the roles of chairperson/chief executive, against the prevailing custom in the USA, to ensure robust oversight of board processes and supervision of executives. Cadbury²¹⁹ and Kakabadse *et al.*²²² endorse this approach. This is a further example of agency theory at work. In relation to the proportion of inside to outside directors, Conger *et al.*²²⁰ wonder whether or not, in the USA at least, the pendulum has swung too much in favour of the latter. Although still arguing for a majority of outside directors, there is an argument that too few inside directors will mean that important information and knowledge are not brought to the board. Conger *et al.*²²⁰ argue that, in congruence with a social utility as well as a property conception of the public corporation, there should be a stakeholder rather than a shareholder model of governance and that, in particular, in an echo of the Rhineland codetermination approach, employees should be represented on the board.

In relation to gender diversity, the Davies report of 2011 provided some specific guidance in relation to addressing the current gender imbalance.¹¹⁶ Davies recommended that organisations should aim for board membership to include at least 25% women by 2015, that there should be mandatory company disclosure of the proportion of women on boards and in senior executive role and that there should be open advertising ('periodically') of non-executive positions. Davies was able to report a significant improvement in the percentage of women on FTSE 100 boards in 2012, from a low base of 12.5% in 2010 to an improving position of 15.6%, and has provisionally concluded that the business argument rather than the imposition of quotas is the best way forward for addressing this gender imbalance.

Doldor *et al.*²²³ found that, in terms of recruitment of women to non-executive board positions, a form of class hegemony,⁶⁶ referred to earlier, whereby a small elite perpetuate their influence, appeared to hold sway. Although some (male) chairpersons, such as those who are members of the 30% club,²²⁴ championed gender diversity, on the whole, board appointment processes were characterised as opaque and subjective, with chairpersons tending to favour those with similar characteristics to themselves. To counteract this, the authors' recommendations include proactively putting diversity on the agenda in the recruitment process, challenging recalcitrant board members, focusing more on underlying competencies rather than previous experience, creatively expanding the talent pool, ensuring that women are on both the longlist and the shortlist of potential candidates and supporting them through the appointment process.

Guidance about board focus

We have already seen in *Chapter 2* an explication of Garratt's four board tasks³³ of setting direction, making strategic choices, monitoring performance and accounting to shareholders, together with a balance of short-term and long-term and internal and external focus (see *Table 8*). Produced as a cycle of tasks, Garratt explains this as a learning board model (p. 177)³³ although much of what he describes in relation to board-level strategic decision-making, scrutinising and accountability processes within this cycle is closer to an engaged competent board in action. Similarly, although going further than Garratt in terms of managerial work in relation to talent and crisis management, Conger *et al.*²²⁰ warn against overfocusing on 'favourite'

tasks and posit seven key activity areas for boards, acknowledging that an internal focus often brings a more immediate return and an external focus has a longer-term pay-off:

- setting strategic direction and giving advice
- overseeing strategic implementation and performance
- developing and evaluating the CEO
- developing human capital
- monitoring the legal and ethical performance of the corporation
- preventing and managing crises
- procuring resources.

These activities bear a clear alignment to the strategy, performance, risk (i.e. preventing and managing crises) and people (i.e. developing and evaluating the CEO; developing human capital) functions of the effective non-executive director recommended in the Higgs report²²⁵ (*Box 10*).

The monitoring and control function of the board is explicated in the Cadbury report²¹⁹ of 1992, which, with the governance architecture it recommended still in place (see, for example, *The UK Corporate Governance Code*²²⁶ published by the Financial Reporting Council), continues to set the tone for UK business today. The recommended arrangements include a code of best practice (indicative of 'comply or explain' and principle-based rather than rules-based governance), a division of responsibilities and a balance of power and authority at the top of the organisation to ensure that 'no one individual has unfettered powers of decision' (p. 57);²¹⁹ an audit committee with at least three non-executive directors; and a system of internal control and reserved powers for the board. This adds up to a compelling and deep-rooted agency view of governance that had its origins in dealing with the aftermath of UK governance failures of that decade, including Maxwell and Polly Peck.

It is worth examining the topic of strategy in a little more detail. We have seen in *Chapter 1* that the shaping of strategy is a core role for boards. Useem¹¹⁷ argues for a relatively hands-on approach to formulation and execution; Stiles and Taylor,³⁰ by contrast, indicate that the board has a gatekeeping function rather than a role in determining or driving the development of strategy. Behan²²⁷ would concur: he argues that the CEO sets strategy but the board acts as a control – through the appointment of the CEO and through its engagement in the review and development of strategy as a 'thought-partner'. The practitioner literature in general indicates a predominantly managerialist approach to strategy, with the CEO in the driving seat; there are elements of stewardship in the role of the board in the joint endeavour.

The importance of balanced scorecards and directorial dashboards^{228,229} as well as management accounting is underlined to ensure that the long-term performance-enhancing as well as the short-term controlling aspects

BOX 10 Higgs' report²²⁵ on the role of the non-executive director (NED): main recommendations

- The role of the board includes ensuring the success of the company, being involved in strategy and performance and setting corporate values and standards and ensuring that obligations to shareholders and others are met
- NED role includes challenge, scrutiny, monitoring and assurance
- NEDs determine pay of top managers
- NEDs must have sound judgement and good knowledge of the business
- NEDs need integrity, objectivity and strong interpersonal skills
- Induction and ongoing development programmes for NEDs are necessary

of board work are sufficiently emphasised. The topic of risk is coming to the fore (see, for example, Garratt,²²¹ Owen²³⁰). Boards of directors are seen as a crucial mechanism through which risks are identified and managed. These include the organisation's risk appetite, risk to the strategy, risk from externalities (e.g. the euro crisis) and risk caused by insufficient internal capability.

In relation to succession planning, which is identified in the academic literature (sometimes referred to as talent management) as a core role for boards, the Association of British Insurers *Report on Board Effectiveness*²³¹ identifies this as one of three key areas, along with board diversity and evaluation, as worthy of greater attention, including a focus on succession planning of the senior management cadre, not merely the CEO. It also advocates for better disclosure on this activity by the board.

Guidance about board dynamics

Questions of the balance of board composition could be dealt with in the earlier section on board structure; however, for the sake of clarity, we have opted to focus discussion of board structure solely around board size, proportions of inside/outside directors, chairperson–CEO duality and the unitary/one-tier/two-tier variants. We choose to put discussion of the choices that boards make about board member selection, including gender balance, experience and skills, and the deployment of these individuals, and the behaviours they in turn choose to deploy, under the theme of board dynamics as this forms part of board discretion and therefore we believe it belongs better in this section.

Behan²²⁷ argues that it is important that the board itself knows what a high-performing board looks like and offers the following descriptors, which ally, broadly speaking, with a stewardship view of the purpose of the board:

- the CEO, the senior executives and the board members can give three examples of how the board adds value to the company
- the board is open to continuous improvement
- meetings are characterised by openness and vibrancy
- the company achieves good results financially, operationally and strategically.

Garratt²²¹ refers to Janis's work⁵⁷ on the eight components of 'groupthink' in relation to the possibility of board dysfunctionality and underperformance. The danger is heightened if board membership is drawn from a narrow stratum of society in accordance with a class hegemony perspective (see p. 20). Garratt's view is that the presence of at least three of these components in any combination can seriously affect board performance. Effective neutral chairing, board evaluation, director training and appraisal and declaration of interests all go some way to mitigating the dangers of these eight elements of groupthink taking hold. The eight sources of groupthink (p. 133)²²¹ are:

- the illusion of invulnerability
- collective efforts to rationalise
- unquestioning belief in the board's morality
- stereotyped views of rivals and enemies
- pressure exerted on dissident board members
- censorship of deviations from apparent group consensus
- a shared illusion of unanimity
- the emergence of self-appointed mind-guards.

Allied to this is the question of the deployment of board power. Confirming Pettigrew and McNulty's¹³² notion of the discretionary effort of the non-executive director to deploy his/her will and skill, Conger *et al.*²²⁰ argue that boards' extensive powers, for example to sack the CEO, commission an audit or decide on merger or acquisition, are rarely used. Dimma²³² argues that the extent of engagement of board directors in the business will depend on organisation maturity, experience of the senior management team and financial

health, suggesting a lighter touch when these circumstances prevail and a closer involvement in other circumstances and in addition when there is significant diversification and strong sector regulation.

Garratt²²¹ argues for the professionalisation of board directors to ensure that experience is complemented by competence and suggests that, of the four types of board posited (representative, country club, passive, expert professional), only the last is fit for purpose for today's world. This once more fits with a hybridised agency/stewardship view of governance over stakeholder or resource dependency views. The 2012 Korn/Ferry report²³³ on what makes an exceptional non-executive director confirms this, with a need for today's, as opposed to yesterday's, board member to be more technically competent, more numerate, better informed and more committed, with a grip on the operational detail, a deep understanding of the business and a better grasp of financial and technical risk issues. Serving executives brought in as non-executive directors are more likely than retirees to have the currency to be able to handle some of this. The authors of this report argue that this line on professionalisation of the non-executive cadre has to be underpinned by more formal training and development for board members. Owen²³⁰ confirms the need for non-executives to have experience of the business and argues for at least two non-executives with relevant industry background.

In relation to scrutiny and decision-making processes, Kakabadse *et al.*¹⁴⁴ propose a form of diligent and collaborative inquiry at board meetings, rather than debate, which leads to adversarial argument. This draws from a stewardship rather than an agency model for boards. Committees are increasingly favoured as a means of helping board members cope with managing their limited time, the complexity of information to digest and addressing a possible power imbalance at the formal board by allowing closer monitoring.²²⁰

Guidance for boards in general: drawing some conclusions

The practitioner guidance is characterised by a focus on prescription despite some acknowledgement that circumstances affect the choices that boards might make in terms of determining purpose, structure, focus and dynamics. We note the predominant influence of agency and stewardship and a combination of the two. This mirrors the academic literature examining the role of the board, particularly the non-executives (e.g. Sundaramurthy and Lewis,¹³⁰ Roberts *et al.*²⁹), with the dyadic proposition that board members should provide both challenge and support. Although managerial hegemony may be relatively widespread in practice (and hence the need for an agency view), the relative lack of emphasis on managerialist theory (that giving more power and control to the managers might be a 'good thing' in some circumstances) is interesting; presumably it is understood as having little legitimacy in the light of where the responsibility is seen to lie for corporate governance failings, particularly in the banking sector (*viz.* the Walker report,²³⁴ which called for tougher board challenge). Similarly, apart from guidance on the need for gender diversity, and the contribution of the Higgs report,²²⁵ there is a relative lack of emphasis on board composition and in particular the processes for recruitment, retention, development and turnover of board members.

Guidance of relevance for health care and English NHS boards

As Francis³ remarked, there has been no shortage of guidance for NHS boards. *Table 10* provides a timeline of the key guidance and briefing documents intended for the NHS issued over the past decade. In addition, there has been guidance for health-care boards from other countries, in particular the USA and Canada, that has been influential [e.g. from the Institute for Health Improvement (IHI), the Institute of Medicine, the Canadian Patient Safety Institute and the Canadian Council on Health Services Accreditation]. As with the guidance and practitioner literature aimed at boards in general analysed earlier, we have chosen to summarise the key documents intended for health-care boards using the framework of purpose, structure, focus and dynamics and we have related the main themes back to the main theories about the purposes and practices of boards.

Guidance on the purpose of health-care boards

It is becoming clearer that health-care boards have an overarching responsibility for assuring high-quality care as a core part of their social performance mission. The 2003 Institute of Medicine report²⁵⁴ in the USA called

TABLE 10 Key guidance and briefing documents issued to the NHS over the past decade

Guidance/document	Source
<i>Clinical Commissioning Groups: Guide for Applicants</i>	Department of Health 2012 ²³⁵
<i>Effective Boards in the NHS? A Study of their Behaviour and Culture</i>	NHS Confederation 2005 ⁴
Effective boards – draft standards for members of boards	Council for Healthcare Regulatory Excellence 2012 ²³⁶
<i>Engaging Boards: the Relationship between Governance and Leadership, and Improving the Quality and Safety of Patient Care</i>	The King's Fund 2012 ²³⁷
Francis report	Department of Health 2010 ³
<i>Good Learning Disability Partnership Boards: Making it Happen for Everyone</i>	Department of Health 2009 ²³⁸
<i>Governing the NHS</i>	Department of Health 2003 ²³⁹
Guidance on PCT leadership ('three at the top')	Department of Health 2002 ²⁴⁰
<i>Guidance on Governance of Care Trusts</i>	Department of Health 2002 ²⁴¹
Guide on the development of foundation trusts	Department of Health 2002 ²⁴²
<i>Integrated Governance Handbook</i>	Department of Health 2006 ²⁴³
<i>Membership Governance in NHS Foundation Trusts: a Review for the Department of Health</i>	Mutuo and University of Birmingham 2008 ²⁴⁴
<i>Model Constitution Framework for Clinical Commissioning Groups</i>	Department of Health 2012 ²⁴⁵
<i>NHS Foundation Trust Code Of Governance</i>	Monitor 2006, ²⁴⁶ 2010 ²⁴⁷
<i>NHS Trust Model Standing Orders, Reservation and Delegation of Powers and Standing Financial Instructions</i>	Department of Health 2006 ²⁴⁸
<i>Quality Governance in the NHS – a Guide for Provider Boards</i>	Department of Health 2011 ²⁴⁹
<i>Strategic Health Authority Model Standing Orders, Reservation and Delegation of Powers and Standing Financial Instructions</i>	Department of Health 2006 ²⁵⁰
<i>The Healthy NHS Board: Principles for Good Governance</i>	National Leadership Council 2010 ¹⁵⁵
<i>The Intelligent Board series</i>	Dr Foster Intelligence 2006–11 ²⁵¹
<i>Understanding the Evidence: Supporting Governance of Emerging Clinical Commissioning Groups</i>	National Leadership Council 2011 ²⁵²
<i>World Class Commissioning Assurance Handbook</i>	Department of Health 2009 ²⁵³

for transformational leadership in health-care organisations to change systems and processes underlying quality, led by the board of trustees on account of its legal responsibility for quality and its authority over medical staff and administration. The IHI (see, for example, Leape and Berwick²⁵⁵) has similarly argued for the same attention to be paid to quality of care as to financial issues, endorsing the equal primacy of social performance. A system of clinical governance with ultimate responsibility resting with the board had existed in England explicitly since the publication of *Governing the NHS*.²³⁹ Nevertheless, the Francis report³ into the failings at Mid Staffordshire NHS Foundation Trust found that in this particular case the board lacked focus on the job of a hospital, had poor insight and a confused system of governance.

Guidance on the structure of health-care boards

With two exceptions, the unitary model for NHS boards has been mandated since 1990, with a balance of non-executive directors and executive directors and a non-executive chairperson. This represents an agency/stewardship combination, with the non-executives holding the executives to account while at the same time collaboratively engaging in developing strategy. In the first exception to this unitary model, Milburn²⁵⁶ proposed a replacement of the then current central control for high-performing hospitals with public

ownership and local control and a two-tier model of governance. The stakeholder view of governance predominates in the membership and focus of the second tier, the board of governors, a proportion of whom are elected, and all of whom are there to represent the interests of stakeholders including staff, commissioners and the local public, while holding the non-executives on the board of directors (the first tier) to account. This adds up to a hybridised agency/stakeholder perspective of the purpose of board governance.

The second exception to the balanced unitary model is in the structure of the new clinical commissioning groups, which are due to be authorised to operate from April 2013. Research commissioned to inform the governance of clinical commissioning groups²⁵² emphasises the importance of independent directors who can bring additional skills and objectivity to handle complex strategic challenges, reflecting both an agency and a stewardship model for boards. Interestingly, this has not been acted on in decisions about the membership of the new clinical commissioning groups,²⁴⁵ which are confined to having two lay members only, in contrast to the standard structure of NHS boards from 1990 of five lay members (non-executive directors) and a lay (non-executive) chairperson. The majority on the board will be GP executive clinicians, with two external clinicians. This decision may have been guided because research commissioned to inform the development of clinical commissioning groups²⁵² indicates that smaller family-sized firms, professional partnerships and membership-type organisations can forego the higher agency costs of a full board because the interests of owners and employees are so closely aligned, moving only to require a more formal accountability system, a big culture shift in professionally dominated organisations, as they grow in size and complexity. Given the population responsibilities (up to 900,000) and annual spend (up to £700M) of some of the larger clinical commissioning groups it could be argued that some of these organisations have reached this stage already.

Guidance on focus for health-care boards

*Governing the NHS*²³⁹ emphasised the board role in strategy, performance, risk, people and accountability to the local community. This mirrors a hybridised agency/stewardship/stakeholder view of the purpose of the board. *The Healthy NHS Board*,¹⁵⁵ informed by a literature review,²⁵⁷ is the latest guidance on NHS boards in general. It emphasises three main board activities – formulating strategy, ensuring accountability and shaping culture – with three building blocks of context, intelligence and engagement. The three roles broadly match the earlier guidance and Garratt's³³ emphasis on balancing strategy with the monitoring of performance, although there is a new emphasis this time on organisation culture and more stress on board activity in the development of productive interorganisational relationships (a resource dependency perspective).

In relation to strategy, *The Healthy NHS Board* guidance¹⁵⁵ underlines the importance of context and the complexity of the political, economic and regulatory environment as well as the interdependence of the wider determinants of health status as a cluster of building blocks for the development of effective strategies. The guidance also emphasises the need to focus on the long term in a push back to current tendencies to focus on the short term, the operational and the near horizon.⁴ *The Healthy NHS Board* also highlights the importance of operating constructively in the health- and social-care system with mutual understanding of and respect for individual organisation interests. This is referred to in a literature review to support the development of clinical commissioning groups.²⁵² This highlights a particular aspect of strategy, one that maintains and develops interactions between member organisations. This is particularly relevant for clinical commissioning groups, which are member organisations and also partners in health- and social-care networks. This relates to the resource dependency view of boards, which supports the view that their organisations depend on external leverage and congruence with the external environment for survival.

In relation to exertion of control by boards, and in particular sustained attention to monitoring the clinical quality of care, the IHI²⁵⁸ launched its 5 Million Lives Campaign with guidance for boards to spend at least 25% of their time in meetings on quality and safety issues and to conduct at least one conversation per year involving the whole board with a patient or family member of a patient who had sustained serious harm at their institution. Board dashboards are also now receiving attention (see, for example, *The Intelligent Board* series,²⁵¹ *The Healthy NHS Board*,¹⁵⁵ Ramsay and Fulop²⁵² and Ramsay and Rubenstein²⁵⁷) for their

impact on quality improvement. Kroch *et al.*²⁵⁹ identified a relationship between the content of these and the structures and processes associated with their development and use and hospital performance (see also *Chapter 6*). The Francis Inquiry³ found that board members of the Mid Staffordshire NHS Foundation Trust, to some extent as recommended by the current guidance,²³⁹ were discouraged from concerning themselves with operational details. Francis came to the conclusion that 'any matter which has a serious impact on patient safety and quality of care is a matter justifying the interest and attention of directors, whether executive or non-executive' (p. 304).³ Francis identifies a failure of the board not to raise issues (it did) but to follow through sufficiently and track actions through to timely completion. This relates to the will–execution–constancy of purpose²⁰⁸ that has been referred to in the first part of this chapter.

The use of information to guide strategic decision-making and, in particular, to monitor performance has gained ground recently, in common with an increased emphasis on this in the private sector. *The Intelligent Board* series²⁵¹ recognises that different kinds of information are required for different types of NHS bodies and the series includes different products for acute hospitals, mental health services, ambulance services, general practice and commissioning. The principles include the use of internal and external comparisons and benchmarking, and also information that is forward looking and outcomes based and which reports on locally defined as well as nationally determined priorities. The influence of this series has led to the production of the often voluminous NHS board performance report, providing some evidence for the credibility of Power's²⁶⁰ warning: 'Does the rustle of paper systems ... provide only slogans of accountability and quality which perpetuate rather than alleviate organisational rigidity?' (p. 123).

The focus on shaping culture as a key board task (e.g. as indicated in *The Healthy NHS Board*¹⁵⁵) is not found in the general academic literature or in general guidance in such a discrete form. The closest is the recommendation for boards to set a clear mission, vision and set of values (e.g. in *Governing the NHS*,²³⁹ *The Good Governance Standard for Public Services*²⁶¹) as part of their key role in setting direction for the organisation.³³ The task of shaping culture is acknowledged to be difficult: other guidance²⁵² indicates that achieving cultural shifts inter and intraorganisationally requires sustained attention over a significant period; one wonders whether the new clinical commissioning groups will be given the required time to achieve this.

Engagement with stakeholders is seen as a priority for boards according to *The Healthy NHS Board*.¹⁵⁵ This includes dialogue with patients and the public, partners in delivery, key institutional stakeholders and opinion formers. This focus has echoes in stakeholder governance and resource dependency theories, not in relation to board composition but in relation to board tasks. The exception to this rule is in the membership of the Foundation Trust council of governors, which is representative in composition as well as representation being a core role.⁷⁰

Dynamics

With reference to health-care boards, Leape and Berwick²⁵⁵ argue that great boards ask tough questions and expect results and should pay the same attention to the quality of care as to financial issues. This confirms an agency view of boards in general (mistrust-based governance) as well as a view of the purpose of philanthropic organisations, which is the production of public value (in this case quality health care) in addition to effective stewardship and use of financial resources.

The Institute of Medicine report from the USA in 2003²⁵⁴ identified a roll call of barriers to effective board working, with an appropriate focus on quality, as trustee ignorance, trustee insecurity, board inattention, poor board–physician communication, fragmented information on quality, traditional medical staff structure, lack of professional management of quality and lack of investment. The report concludes that strategies for hospital board leadership should include preparing to lead, self-education, visible participation in quality activities, role clarification, increased informal dialogue with physicians, medical staff reform, creation of a quality management department, instituting high-quality standards and external quality audit. A similar report for the English NHS by the NHS Confederation⁴ found that 'the daily grind' often obscured strategic

decision-making and that, although there was often a good deal of trust between board members, there was too little constructive challenge and therefore some missed opportunities. The authors identified four key characteristics of effective boards: a focus on strategic decision-making, trust and corporate working, constructive challenge and effective chairpersons.

Ensuring compliance of standards of board behaviour is a difficult area. The Francis report³ found that the *Code of Conduct for NHS Boards*²⁶² was a weak document in terms of specific obligations, particularly in comparison, for example, with the General Medical Council's *Good Medical Practice*.²⁶³ The Department of Health issued a more detailed draft set of standards for members of boards in 2012,²³⁶ which focused not only on the specifics of personal behaviour but also on technical competence, including soundness of decision-making, use of evidence and working collaboratively, and a third area of business practices, including a clear understanding of financial aspects and the legal background to board work.

The guidance relating to the dynamics of board working indicates a combination of agency and stewardship, which adds up to a prescribed high level of engagement.

Collective working on the unitary NHS board is emphasised by two main pieces of guidance (*Governing the NHS*²³⁹ and *The Healthy NHS Board*¹⁵⁵) that bookend the first decade of this century. This is seen as characterised by board members operating beyond their specialties, functional areas or particular interests in a collective endeavour. *The Healthy NHS Board*¹⁵⁵ emphasises boards as social systems with the need for investment of time and energy in the development of mature relationships (see also *Chapter 6*). Practices in this document that are seen to support 'good' social processes at the board level emphasise the stewardship rather than an agency view of boards, for example actively working to develop a climate of trust and candour is recommended, and a master–servant relationship between executive and non-executive or challenging in a way that is seen as unnecessarily antagonistic without a balance of appreciation and support is seen as deleterious.

Guidance for health care and NHS boards: drawing some conclusions

Table 11 shows the relative influence of the theories outlined in detail in *Chapter 1* in the guidance that has been issued for health-care boards and particularly for NHS boards. In relation to the purpose of health-care boards there has been a lot of attention paid recently to their prime role in ensuring the delivery of good-quality clinical care. There has also been an attempt to surface the tension inherent in their social mission: to serve the interests of the organisation and of the community in general that they serve.

In relation to board structure, focus and dynamics, guidance for the classic NHS unitary board combines mainly agency with stewardship theories, with a resource dependency angle reflected in the need to engage constructively with partners in the local health-care system and a stakeholder approach in listening and responding to patients and the public. The main point of difference is with foundation trusts and clinical commissioning groups for which stakeholder and resource dependency models begin to come much more to the fore. The managerialist approach is also evident in the structure for clinical commissioning groups.

These are also points of difference from the guidance and practitioner literature for boards in general, which focus more strongly on agency and stewardship. One major omission (which is less evident in the guidance in general for boards) is the lack of context-specific guidance, for example for boards of new organisations, those in crisis, when there is continuity or change in the executive cadre. Our critique of the academic literature about boards in general and health-care boards in *Chapters 2* and *3*, respectively, indicates that there is a place for considering contextual and evolutionary factors more closely. Given the plethora of guidance available, one may wish to be cautious about advocating yet more, but this does appear to be a gap at present.

TABLE 11 What health-care boards 'should' do: a framework for understanding the theoretical origins of guidance for health-care boards

Leadership purpose and style	Board context and theory
Purpose of health-care boards	<ul style="list-style-type: none"> • Focus on quality of care as well as finances=social performance as well as financial return^{155,239} • Address conflict of what is in best interests of organisation and what is in best interests of health-care system¹⁵⁵ • Represent the interests of members of the hospital as a whole and the interests of the public in general (foundation trust governors according to Health and Social Care Act 2012²⁶⁴)
Agency perspective: board in control role	<ul style="list-style-type: none"> • Ask tough questions²⁵⁵ • Board responsibility for quality^{254,255} • Performance monitoring^{155,239}
Stewardship perspective: board in strategic role	<ul style="list-style-type: none"> • Board practices to develop climate of trust and candour; constructive challenge; sharing corporate responsibility and collective decision-making and endeavour; shaping culture^{155,239}
Agency/steward combination	<ul style="list-style-type: none"> • Focus on strategy and on monitoring^{155,239}
Resource dependency theory: linking role	<ul style="list-style-type: none"> • NHS board focus on operating constructively with mutual respect and understanding in local health- and social-care system¹⁵⁵ • Clinical commissioning group strategic focus on maintenance and development of alliances and member organisations²⁵² • Focus on engagement with key stakeholders¹⁵⁵
Managerialist theory: board in support role	<ul style="list-style-type: none"> • Outsider/non-executive/lay member directors are not required to perform the agency role to the same extent in clinical commissioning groups although the danger of groupthink is acknowledged²⁵²
Stakeholder theory: board in co-ordinating role	<ul style="list-style-type: none"> • Focus on engagement with key stakeholders including patients and the public, staff and delivery partners; cultural change as a result of patient and public engagement^{155,239} • Role of foundation trust governors^{247,264}
Agency/stakeholder combination	<ul style="list-style-type: none"> • Monitor guidance for NHS foundation trusts, especially for board of governors (hold non-executives on board of directors to account and represent and act on behalf of stakeholders)

Chapter 5 The impact of boards on organisational performance

Introduction

Having examined the various, sometimes competing or opposite theories about boards and the associated explanatory frameworks, and mapped how these are aligned to the practitioner and prescriptive literature and guidance, we now turn our attention to assessing the empirical evidence about how NHS boards can contribute to organisational performance. As in earlier chapters, we offer an analysis first from the general literature and second from the literature related to health-care boards.

Empirical evidence about boards in general and organisational performance

We identified 70 abstracts addressing this topic area and reviewed the full text of 64 papers meeting our criteria for relevance (see *Chapter 1* for methodology).

Of the 43 empirical papers, the majority are from the for-profit sector, from a wide range of different sectors and countries (*Figure 5*). They are generally statistical analyses of existing data sets and are of variable methodological quality. *Figure 6* shows the focus of the papers. Some problems of endogeneity are acknowledged.²⁶⁵ The analyses test a number of different theories of governance (e.g. agency, stewardship, stakeholder, contingency), although underpinning theories are not always made explicit. Within the analytical models, the measures of performance employed are generally financial, for example return on investment, return on sales, return on equity, return on assets, Tobin's q. This last is the ratio between the market value (stock price) and the replacement value of the company's assets. High Tobin values encourage companies to invest. Other (non-financial) measures studied include largely process measures, administrative efficiency, allocative efficiency, attendance at board meetings, board focus on monitoring and quality of board monitoring and advisory functions.

A number of different elements of board governance were scrutinised, coming from the studies themselves and the board composition variables identified in *Chapter 2* in relation to theories and frameworks, and emanating from the priorities identified by our advisory group. These included:

- board size
- board composition (executives and non-executives, female representation, ethnic diversity)
- duality of chairperson/CEO role
- independence of audit committee
- inside directors' shareholding
- knowledge (cumulative and diversity)
- active character of trustees
- intensity of board monitoring
- board independence in relation to different strategies (efficiency vs. innovation).

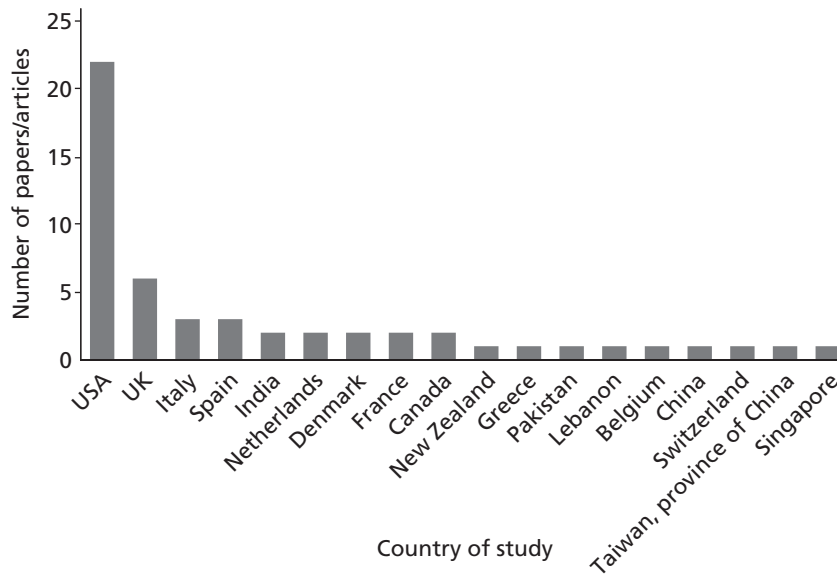


FIGURE 5 Countries of study of papers providing evidence about boards in general and organisational performance.

Key messages emerging from the reviewed papers

Heterogeneity of findings

It is striking how contradictory some of the evidence is, including evidence of positive and negative associations or no effect within statistical analyses in terms of overall impact of governance on performance and for specific aspects of governance studied (e.g. board size, duality, gender and ethnic diversity). In addition, Love²⁶⁵ has identified some potential problems of endogeneity.

Contingent nature of relationships between key variables

In relation to gender, for example, it generally appears that gender diversity has a positive impact on performance in firms that have otherwise weak governance, as measured by their ability to resist takeovers. But in firms with strong governance, greater gender diversity may result in overmonitoring and may reduce shareholder value.¹⁰⁸ In a study of 1500 US companies, organisations run by women CEOs were found to be higher performing; companies run by women also did better when there was a smaller pay gap between the

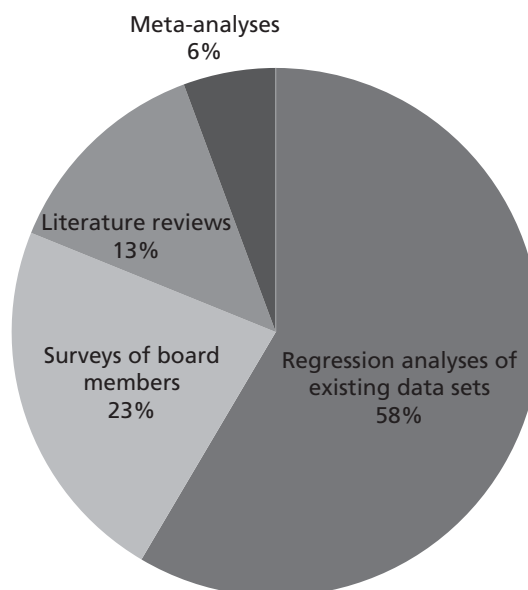


FIGURE 6 Focus of papers providing evidence about boards in general and organisational performance.

CEO and their immediate deputies/vice-presidents, confirming in this instance the superiority of behavioural over tournament theory.¹¹¹

In the case of tenure of outside directors, outside director tenure has been found to be positively related to performance; accumulated learning and power effects of long tenure enable directors to be more effective in their various governance roles, but these benefits diminish as tenure increases. Overall findings suggest that boards should try to retain effective members, but not for an indefinite period, and should pursue a policy of staggered replacement to retain organisational memory.²⁶⁶ The case study of six investment banks in the 2008 crisis, three of which failed and three of which survived, found that the three failed banks had outside directors with longer tenure and had a greater lack of specific industry (i.e. investment banking) expertise.²⁶⁷

The proportion of insider/outsider members is of interest. In relation to governance configurations, findings suggest that boards dominated by insiders but with CEO incentive alignment have better market performance. Boards composed of insiders with long CEO tenure appear to have declining performance and would probably benefit from establishing independent boards.²⁶⁸ Board independence has significantly more positive effects on performance for firms pursuing a strategy of cost-efficiency than for those pursuing a strategy of innovation. Boards need to reflect on their own choice of strategy in determining the level of independent output needed.²⁶⁹

The benefits accrued by larger boards, particularly in relation to increased monitoring, may be outweighed by higher agency costs, informational asymmetry, and communication and decision-making problems.²⁷⁰ There may be an inverted U-shaped relationship between board size and performance, for example an increased number of directors should benefit the monitoring and advisory functions, improve governance and raise returns but there is a limit (around 19 directors) beyond which co-ordination, control and decision-making problems outweigh the benefits.²⁷¹ There is a similar finding in relation to the proportion of non-executive directors and performance.²⁷² There is also some evidence from a Dutch study that large boards in very large organisations may be value reducing, but not in smaller corporations.²⁷³

There is also a suggested trade-off between the monitoring and the advisory functions of boards. Improved monitoring comes at a cost of weaker strategic advising and greater managerial myopia. Firms with boards that monitor intensely exhibit worse acquisition performance and reduced corporate innovation, which is partly attributed to reduction of trust in the CEO.²⁷⁴

Board processes

The ways that information is gathered, knowledge is built and decisions are made are more important than structure and composition.²⁷⁵ Evidence suggests that top-performing non-profit boards in the USA use more recommended board practices such as board self-evaluation.²¹⁸ Gabrielsson³⁹ found that the entrepreneurial posture of CEOs was positively correlated not with board structure but with board involvement in decision control, confirming Huse's²⁷⁶ findings that a strong and vigilant board of directors can influence the value-creating potential of small- and medium-sized enterprises by favouring change and innovation in strategic decision-making. There is some evidence that less intraboard conflict is associated with larger deficits.¹²⁰

Empirical evidence about health-care boards and organisational performance

We identified 20 abstracts as relevant to this topic area and reviewed 17 empirical papers meeting our criteria for inclusion (see methodology in *Chapter 1*). All but one present data from US studies; they are predominantly hospital based and in the not-for-profit sector. Several papers report different aspects of the same study.

Seven of the empirical studies were conducted before 1989 and, therefore, there may be an issue about the continued relevance of the findings; nine studies date from 2000 onwards. The majority of studies use financial measures as indicators of hospital performance; some use published indicators of care processes and mortality. Many of the studies use published data to distinguish between high- and low-performing hospitals and then compare and contrast their governance processes and structures. A number of studies are methodologically weak with small sample sizes or detailed methodology not reported. There may be an issue with common source variance.¹²⁰ Effective performance is contested and difficult to assess in the non-profit sector, considered by Herman and Weaver¹⁵⁴ as a social judgement created interactively through the process of reality construction. Notwithstanding these constraints, we root our main findings in the focus of the empirical studies themselves, around structure, strategic orientation, service quality and financial performance, board practices and processes.

A study comparing corporate and philanthropic models of governance suggests that corporate models are associated with increased operational efficiency, increased market share and increased volume of adjusted admissions.¹⁹³ In the same study, hospitals with a corporate governance configuration (i.e. smaller, narrow membership, greater management participation, strategic focus, scrutiny of CEOs, competitive positioning) were more likely to respond to major change by diversification or merger and less likely to experience closure.

A strong focus on strategic planning is most often mentioned as a determinant of board effectiveness (see, for example, Bradshaw *et al.*¹²⁰). Boards have been analysed using Miles *et al.*'s²⁷⁷ strategy typology of defender-, prospector-, analyser- and reactor-orientated organisations, which posits that successful organisations adapt to their environments through making the appropriate choice of strategy. Briefly, the defender organisation restricts innovation and focuses on efficiency; the prospector organisation seeks new opportunities and stresses experimentation, service or product development and innovation; the analyser organisation combines characteristics of defender and prospector depending on which of its product or service areas are stable and which are dynamic and changing; and the reactor organisation does not have an explicit strategy. In competitive compared with static environments, different board types are predictors of board effectiveness, for example in competitive environments prospector and analyser boards tend to be successful; in less competitive environments there is a less clear relationship between board orientation and success.²⁰⁰

High-performing hospitals have a quality subcommittee; greater expertise and formal training in quality; quality is reported as a higher priority for board oversight and CEO performance evaluation; boards are significantly more familiar with current performance and significantly more involved in reviewing quality data; and more time is spent on clinical quality at board meetings and this is greater than the time spent on financial performance.²⁷⁸

Board practices that are associated with better performance in processes of care and mortality include having a board quality committee, establishing strategic goals for quality improvement, being involved in setting the quality agenda for the organisation, including a specific item on quality in board meetings, using a dashboard with national benchmarks for clinical quality, patient safety and patient satisfaction and linking senior executives' performance evaluation to quality and patient safety indicators. Physician involvement in the board also appears to enhance quality performance.^{207,279} Key mechanisms linked to these board practices are signalling a visible and steady board leadership for quality, effective organisational structures for overseeing quality, and will–execution–constancy of purpose.

Boards with strong financial performance exhibit stronger internal behavioural dynamics, including the chairperson's relationship with the CEO, the level of challenge and openness in decision-making, the interpersonal climate, and processes, for example the timely sharing of relevant and accurate information, the board's role in advising and challenging management, and board education.²⁸⁰ CEO–board participation significantly enhances hospital financial performance, but there is no evidence that the CEO job contract or performance evaluation influences performance.²⁸¹ This supports a managerialist (as opposed to an agency) perspective.

There is evidence of a strong strategic focus in higher-performing boards, alongside the board not being overly cautious in the light of politics. The greater the match between board structure and hospital strategy, the stronger the hospital's financial performance.²¹⁷ Prospector hospitals had the largest and more occupationally diverse boards.²⁰⁴

Boards of high-performing hospitals are more fully engaged in key governance processes and the prevailing governance culture is more interactive and proactive.²⁷⁹ In relation to a proactive governance culture and use of information, there is some evidence of a relationship between the use of dashboards (specifically those that are shorter, more focused and more frequently reviewed, and those that address clinical quality, patient safety and patient satisfaction) and hospital performance.^{207,259}

Conclusions

The evidence is based on empirical studies of variable quality and there is an absence of evidence around linkages. The evidence from empirical studies of boards in general highlights once more the relevance of contextual factors; it indicates that it is important to take account of the internal and external environment in the choices that boards make about diversity, board size, proportion of insider and outsider directors, strategic focus and balance of time spent on advisory/partnering as distinct from monitoring functions.

In a recent literature review on board effectiveness for the NHS Institute for Innovation and Improvement, Selim *et al.*⁹ concluded that there was no one best way to achieve an effective board as general principles had to be applied to the circumstances, strategic focus and stage of development of the particular organisation. A series of general principles did emerge from this review, including a focus on the 'right' structure, people, culture, tasks, information, processes and follow-through, but the case for the extent to which these are applicable to the NHS was not made.⁹

The evidence about relationships between organisational cultures and performance in the NHS is emerging; it is becoming clearer that culture does matter and that certain cultural characteristics are associated with better performance in some domains.⁸ Although prescribed as important, there is little evidence, however, to link positive chairperson and chief executive relationships (the 'two at the top') with board or organisational performance,²⁸² although there is some (weak) evidence from within the NHS²⁸³⁻²⁸⁵ as well as from outside²⁸⁶ indicating that poor relationships between these two can negatively affect board and organisational performance. A recently published report on new governance arrangements in the NHS²⁸⁷ suggests that aspects of organisational performance, particularly the use of resources, might be associated with some aspects of board working, in particular the contribution of clinicians, the presence of highly influential non-executive directors and chief executives who exert moderate to high control but do not behave autocratically. The impact of board members on the quality of services is more difficult to detect.²⁸⁷ In particular, evidence about the impact of the board on quality and safety performance outcome measures is weak.²³⁷

The evidence from our review nevertheless suggests that high-performing health-care boards are more fully engaged in key governance processes and have explicit structures and processes in place for the oversight of quality, for example a quality subcommittee, greater expertise and formal training in quality, more time spent on quality at board meetings and regular use of quality dashboards. There is also evidence to suggest that high-performing boards have a stronger strategic focus and in competitive environments display characteristics of prospector and analyser types. This relates to an emphasis on the performance/innovation rather than the conformance/monitoring dyad within Garratt's³³ framework of board tasks. It appears that increased physician contribution to boards enhances performance. Are physicians likely to be prospectors/analysers in orientation rather than defenders/reactors? Finally, there also appears to be support for smaller boards with a narrow membership as opposed to larger, philanthropic-style boards;¹⁹³ these boards appear more able to respond to profound organisational change.

Chapter 6 Board development

Board development is extensively promoted and used in the NHS and is also advocated by international bodies such as the IHI. In these straitened times there is little knowledge of its effectiveness. There is some limited evidence, mainly from self-report (see, for example, Brown²⁸⁸), that board education and development has an impact on board effectiveness. Regular review of board effectiveness is recommended by board regulatory authorities (e.g. *The UK Corporate Governance Code*²²⁶). Our aim in this chapter is to map and evaluate different approaches to board development including diagnostic tools, models of assessment and facilitation, and identify how these approaches might relate to theories about board effectiveness and to their impact on organisational performance. Given the evidence about the importance of context, and the realist approach that we have adopted for this study, we also begin to address the question about which approaches are likely to work best in different contexts and types of NHS organisations.

We searched the relevant databases (see *Methods* in *Chapter 1*) and identified 128 publications as being potentially pertinent to board development; of these, 42 articles and texts were confirmed as being relevant. Most of the work has originated from the USA, the UK, Canada, Australia and the Netherlands. Although this search confirms the existence of a range of published material on board development in health care and other settings, the material provides very little empirical evidence about what works or does not. The journal articles tend to be focused on snapshots of a board at any one given moment in time with little longitudinal follow-up. There seems to be only limited agreement about what tools, interventions or approaches make any difference. The importance of external facilitation is highlighted. Most of the papers offer up an approach for the board to make sense of its purpose, identify weaknesses and strengths in task performance and in dynamics and develop strategies to move forward.

Our account therefore takes the shape of a mapping exercise about the experiences of and advice offered to boards. Mirroring early chapters, we divide our analysis into approaches to general board development, shining a light both on skills development and on board dynamics, and an examination of differentiating contexts such as organisational life cycle and the health-care domain, and relate the accounts of board development to our earlier exposition of board theories illuminating the current meta-narrative on board development.

Board appraisal and evaluation

Ingley and van der Walt²⁸⁹ propose that formal board appraisal be used as a starting point to develop the board. They recognise that there is a lack of appetite for rating and reviewing one's peers on a board, the 'horizontal' approach being far more culturally difficult than the traditional 'vertical' approach. Reasons for the inherent resistance to undertake board appraisal, which is often conducted by the chairperson, sometimes assisted by peer review, include a fear of damaging board relationships and board dynamics, a perceived lack of relevance to a top-level decision-making body, cost and time problems and discomfort about evaluating peers. Unease and ambivalence regarding the nature and worth of board evaluation is often shared by the executive directors. But the authors maintain that appraisal is important to uncover strengths and weaknesses, provide an opportunity to discuss individual skills gaps and allow the board to see how roles can be enhanced.

In a similar vein, Kiel and Nicholson²⁹⁰ propose a tool for whole-board evaluation. They suggest that, by evaluating the whole board, the individual, the board and the whole organisation benefit in the areas of improving board leadership performance, greater role clarity, better teamworking, strengthening of accountability and improving decision-making processes. They propose seven key questions to address in a formal board evaluation process (*Box 11*).

BOX 11 Kiel and Nicholson's²⁹⁰ seven key questions for board evaluation

- What are our objectives?
- Who will be evaluated?
- What will be evaluated?
- Who will be asked?
- What techniques will be used?
- Who will do the evaluation?
- What will you do with the results?

They also discuss the frequency with which such reviews should be undertaken and emphasise a continuum rather than a prescriptive approach.

Sponbergs²⁹¹ suggests a variety of tools for board evaluation such as the chairperson asking each individual for their opinions, the use of one-to-one interviews, questionnaires or a board retreat dependent on the issue and circumstances. Carretta *et al.*²⁹² and Swiecicki²⁹³ also emphasise the importance of individual appraisal as an opportunity for critical reflection.

Board development

Tsui *et al.*¹²⁷ assert that more successful boards use continual board development. They would encourage board members and executives to participate regularly in conferences and workshops to increase their efficiency. They are in favour of external experts undertaking reviews of the way that the board is working and also carrying out and facilitating board development. We explore below the contribution played by attendance at conferences and workshops to board development in more detail and also the role of external facilitators.

In relation to general board development, Garratt²⁹⁴ discusses the concept of the learning board in the sense that the board uses itself as a resource for continuous learning. As outlined in *Table 8*, Garratt proposes a 2 × 2 matrix with a vertical axis of internal to external perspective and a horizontal axis of short-term to long-term orientation in relation to essential board tasks. The four quadrants are identified as:

- policy formulation
- strategic thinking
- supervising management
- ensuring accountability.

The argument runs that by ensuring that equal time is spent in all of the quadrants, in an iterative annual rhythm, reinforced by away days every 3 months or so, the board will discharge its responsibilities effectively as this cycle of activities drives, in turn, the whole organisation. Garratt²²¹ also discusses the use of interventions to assist a board to continually learn and develop, including the use of external world information [e.g. a political, physical, economic, social, technological and trade (PPESTT) environments analysis], comparative world information (the performance of the organisation against competitors and customers) and internal world information (how well the board is working).

Coulson-Thomas²⁹⁵ also proposes concepts and strategies of a learning board, without actually using that phrase. He argues that board directors have training and development needs (which are different from those of managers), but yet many corporate training and development programmes do not reach into the

boardroom. Lakey²⁹⁶ uses the terminology of 'board education', which is prevalent in the non-profit sector, and proposes a nine-step model for building a better board. Lakey's proposed board education activities are outlined in *Box 12*.

Boulton²⁹⁷ argues that one way to review and institutionalise board development is to establish a board committee, which might be the nominations committee, with a specific remit to recommend improvements in the board's operations, including the nomination of directors to fulfil the needs of a more effective board.

Board retreats

Kovner *et al.*²⁹⁸ discuss the merits of boards having retreat time to get away from the pressure of routine and immediate decisions. The main aspects of a retreat are for members to stop and reflect on what is making the board function well and what is hindering the process. Other key aspects are for the board to identify and own the issues that they will discuss. The authors elect not to determine the optimal length of such an intervention. They did identify that a retreat is probably held when the organisation is in a stable rather than in a crisis phase. Ward²⁹⁹ also discusses the merits of a corporate retreat, ensuring that there is adequate time put aside for the session, that there is a strong rationale and an agenda set for the event and that the board should consider using experts as and when appropriate. There also needs to be evaluation criteria and follow-up from such an event.

Pointer and Orlikoff¹⁵⁶ also discuss the merits of annual board retreats, the aim being to help a board to grow, prepare for the future, rejuvenate, change and, overall, become more effective. This focus relates to the generative governance dimension of board work identified by Chait *et al.*³² and to the quadrant relating to strategic direction in Garratt's³³ framework. They have identified eight thematic areas that could be discussed on a retreat, which are highlighted in *Box 13*.

Echoing the suggestions made in *Board development*, these authors also suggest that an external facilitator is one of the most critical ways to add value to such activity.

Board dynamics and board development

We have seen in *Chapter 2* that there have been numerous references to boards as a 'black box' and attempts to unpack that in relation to board dynamics. First, with regard to leadership, Heracleous³⁰⁰ saw the board of directors as the ultimate leaders of the organisation and, using a broad and historical perspective on theories and practices around leadership, identified the repertoire of leadership styles that a board may wish to take up. These relate in part to the main competing theories about boards outlined in *Chapter 2*, for example the agency view that boards need to seek compliance from management. The board leadership styles grid is outlined in *Table 12*. Where we can identify an association between a leadership focus and style and a board theory we have highlighted this in italics.

BOX 12 Lakey's²⁹⁶ selection of board education activities

- Invite outside consultants or inside experts to discuss societal trends
- Review organisational mission and vision against actual activity
- Distribute material to enable board members to view at home
- Promote team building by scheduling a board retreat
- Attend governance workshops
- Create well-crafted web sites

BOX 13 Pointer and Orlikoff's¹⁵⁶ topic areas for a board retreat

- General education and development
- Reviewing the performance of the board
- Developing the board's objectives and work plans
- Board effectiveness/team building
- Gaining a better understanding of business/market trends, competitors and partners and discussing consequences and implications
- Building a better relationship between board and management
- Addressing significant 'over the horizon' challenges and opportunities
- Action planning

Second, in relation to the board as an effective team, Senior³⁰¹ applied Belbin's³⁰² team roles to boards at different points in the organisational life cycle, identifying the traits outlined in *Table 13* as being most useful at different stages. Her research was undertaken on 11 board teams from both private and public sector organisations to test the proposition that a balanced board will be a high-performing team. The research identified that the weakest individual roles in the sample were monitor evaluator, plant and resource investigator. The plant and resource investigator roles are both associated with having new ideas and seeking out resources. The monitor evaluator is the intelligent checker of details and evaluator of options. This shines a light on the need for a board to critically evaluate potential weaknesses in relation to preferred team roles, for example insufficient appetite for innovation, which has been found to be an important orientation for boards in certain contexts, or lack of attention to monitoring in circumstances in which boards need to exact efficiencies from the organisation and decrease agency costs.

TABLE 12 Board leadership styles grid

Key stages of team activity	Team roles relevant to particular stages
Leadership as personality	When directors need to develop certain personality traits (<i>Board power theory</i>)
Leadership to induce compliance	When the board needs to discipline senior managers (<i>Agency theory</i>)
Leadership as influence	Board deliberations from group dynamics or social influence (<i>Stewardship theory</i>)
Leadership as behaviour	Demonstrating observable behaviours deemed appropriate (<i>Garratt's³³ role of the board in setting direction and values</i>)
Leadership as persuasion	Persuasive arguments within board deliberations (<i>Stewardship theory</i>)
Leadership as power	Interplay between the various actors on a board (<i>Board power theory</i>)
Leadership to achieve goals	When the board is expected to achieve identified tasks/goals (<i>Chait et al. 's³² strategic governance role of the board</i>)
Leadership as interaction	Understanding of the roles and how the board interacts with each other
Leadership as a differentiated role	The expectations placed on the board because it is the board (<i>Board as ritual</i>)
Leadership as the initiation of structure	How the board makes important decisions
Leadership as the focus of group process	How the group dynamics of a board are influenced by the chairperson or leader (<i>Board power theory</i>)

Source: from Heracleous,³⁰⁰

TABLE 13 Team roles on boards

Key stages of board activity	Team roles relevant to particular stages
Identifying needs	Key figures at this stage are individuals with a strong goal awareness. Shapers and co-ordinators make their mark here
Finding ideas	Once an objective is set, the means of achieving it are required. Here, plants and resource investigators have a crucial role to play
Formulating plans	Two activities help ideas turn into plans. One is weighing up the options; the second is making good use of all relevant experience and knowledge to ensure a good decision. Monitor evaluators make especially good long-term planners and specialists have a key role to play at this stage
Making internal and external contacts	People must be persuaded that an improvement is in prospect. Champions of the plans and cheerleaders must be found. This is an activity where resource investigators are in their element; however, to appease disturbed groups, a teamworker is also required
Establishing the organisation	Plans need turning into procedures, methods and working practices to become routines. Implementers are the people required here. These routines, however, need people to make them work. Getting people to fit the system is what co-ordinators are good at
Following through	Too many assumptions are made that all will work out well in the end. Good follow-through benefits from the attentions of completers. Implementers, too, pull their weight in this area, for they pride themselves on being efficient in anything they undertake

Source: adapted with permission from Senior B. Team roles and team performance: is there 'really' a link? *J Occup Organ Psychol* 1997;**70**:241–58.³⁰¹

Third, in relation to decision-making, there are different models to help boards work systematically through making a decision and then justify why that particular decision was taken. Ross and Lane³⁰³ identified a seven-step model to guide the board when making decisions (*Table 14*).

Garratt²²¹ also discusses the use of 'mind maps' to generate multiple possibilities and help to optimise decision-making and using De Bono and Markland's³⁰⁴ six thinking hats to ensure that the board can explore all possibilities. He refers to the TIP model (Thinking Intentions Profile), which has six main categories, and relates this to frameworks for board governance, particularly Chait *et al.*'s³² fiduciary, strategic and generative modes, as indicated in *Box 14*.

Fourth, in relation to individual effectiveness, there are also personal tools that board members can assess themselves against to gain further insight, understand their personal contributions and own their emotions.

TABLE 14 Board decision-making: seven-step model

Step	Activity
State the problem	Identify the problem to be addressed in 25 words or less
List the alternative solutions	List all solutions that could solve the problem including maintaining the status quo and doing nothing
Determine the facts needed to decide on a solution	List the questions you need to answer in order to decide on a solution
List the factors that are important to solving the problem	Include any assumptions as well as factors
Take another look at your statement of the problem	Does it still seem right?
Analyse the factors and alternatives	Create an analysis matrix based on positive, negative and neutral
Come to conclusions about best alternatives	Make decisions built on the ratings

Source: adapted from Ross and Lane.³⁰³

BOX 14 Board decision-making modes

Judgement (past orientated – strategic governance and prioritisation role):

- logic/rationality
- values

Describe (present orientated – fiduciary governance and monitoring role):

- hard facts
- soft facts

Realise (future orientated – generative governance and strategic role):

- ingenuity
- vision

Emotional intelligence is the capacity to understand our emotions and manage them effectively, and to understand and effectively manage the emotions of others.^{305,306} Over the past two decades, emotional intelligence has emerged as an aspect of effective leadership, with evidence suggesting that emotional competencies rather than intellectual capabilities are the differentiating factors in job performance.^{306–308} This is a new and developing area of study. Hopkins *et al.*³⁰⁹ identified the importance of emotional intelligence in a school governance context and studied the relationship between emotional intelligence and effective board governance. The authors found that there were specific emotional competencies central to effective school boards and that there was a relative lack of emotional self-awareness and optimism in the boards studied.

Contingency factors

Coulson-Thomas²⁹⁵ cautions that standard solutions for board development can be particularly dangerous. The development needs of individual directors and the board as a whole will reflect the nature, situation and circumstances of the organisation. Chambers and Higgins³¹⁰ also reported that board development activity needs to be 'situational', for example relating to the newness or maturity of the board as well as dependent on the particular board role requiring attention.

Bonn and Pettigrew³¹¹ identified that board development is seen as critical to all organisations, but that needs vary according to the organisation life-cycle stage. Four key life-cycle stages were identified (*Box 15*), and we have mapped on to these the board theories, frameworks and development activities that might fit each. The box shows that board development may be needed most in the mature phase of organisations, and this resonates with the view of Jas and Skelcher⁸⁷ and others that there is a danger of boards swinging between acting in stress mode when there is a crisis and falling into inertia or at least coasting during times of (apparent) stability. The authors leave us with a number of research questions to address around the life-cycle stages and the development of the board of directors. These include the need to investigate the transition between the stages. How, for example, do organisations effectively manage the transition between life-cycle stages? How long do directors stay on board after the organisation has evolved to a new life-cycle stage and what are their reasons for leaving? Is the life-cycle stage of the organisation a consideration for directors to join a board?

BOX 15 Framework for understanding board development requirements depending on organisation life-cycle stage**1. Start-up stage**

In the process of start-up, the board of directors faces two main challenges: to ensure that the organisation has access to critical resources by forming linkages with external constituents (resource dependency theory) and to assist in shaping the content of and context for strategy (generative and strategic governance)

These tasks require up-front time and commitment from the board

Key threats were identified as:

- organisational failure
- securing financial and other resources
- gaining customer acceptance for its products and/or services

Board development interventions and activities may focus on away days, visioning and strategic assessments

2. Growth stage

As a business grows and matures, the challenges faced by a board of directors changes. There are three key areas where a board needs to demonstrate competence:

- organisational legitimacy to potential investors (the resource dependency role)
- initiation of strategies (strategic governance)
- exercise of control-related activities (agency role expressed as monitoring)

Boards in organisations that plan to undertake an initial public offering are likely to appoint non-executive directors who have the skills, experience and social connections to deal with a successful flotation

Board development activities may continue to focus on strategic away days in addition to developing the specific skills and general competence of individual board members in both agency and stewardship roles

3. Maturity stage

At the maturity stage organisational growth will have begun to slow. The original organisational owner may not now be a board member. Organisations tend to be large and stable and well established

Key roles for such boards are:

- to maintain regular dialogue with shareholders and other stakeholders
- to assist the CEO in shaping the content of and context for strategy
- to perform control-related activities (to avoid damaging managerial hegemony)

Board development activities may continue to focus on strategic away days, for generative as well as strategic governance purposes, in addition to developing the specific skills and general competence of individual board members in both agency and stewardship roles and now with an increased emphasis on full engagement to reduce the power of the CEO and to mitigate agency costs

BOX 15 Framework for understanding board development requirements depending on organisation life-cycle stage (continued)**4. Decline stage**

In the decline stage the key focus can be on retrenchment activities such as cost and asset reductions and recovery response activities such as acquisitions, the development of new products and markets and increased market penetration. Again, the three key roles identified were:

- to persuade directors to stay on board and/or to appoint new directors who can provide legitimacy and help to secure support from institutional investors and other shareholders
- to initiate strategies with the intention of bringing about substantive changes in corporate strategy and affecting a turnaround of the decline process
- to ensure that effective control and monitoring mechanisms are in place

Although the temptation may be to do without, board development activities related to the challenges in this phase would include familiarisation and specific skills training with regard to mergers and acquisitions, generative governance time to inject fresh thinking and developing monitoring acumen to reduce costs

Source: adapted from Bonn and Pettigrew.³¹¹

Board development in health care

What does a good board look and act like? Holland and Jackson¹⁶⁴ identified six dimensions of board competency essential to effective governance, which are outlined in *Box 16*. Similarly, Kane *et al.*³¹² undertook a series of 73 interviews in nine hospitals in the USA and identified five key questions that a board would need to consider to ensure its competency and functionality. These are listed in *Box 17*.

BOX 16 Six dimensions of board competence

- *Context*. The board knows and understands the context in which it is working, including vision, norms and culture
- *Education*. The board understands its own roles and responsibilities and subsequently develops its self
- *Intrapersonal*. The board takes a collective responsibility for itself and fosters a sense of teamwork and identity
- *Analytical*. The board recognises the difficulties and ambiguities that it will face and uses multiple perspectives to dissect, understand and make decisions for the future
- *Political*. The board understands the political landscape in which it operates and listens to and takes into account the views of its stakeholders
- *Strategic*. The board shapes and directs the overall strategic direction of the organisation and ensures that the strategy can be translated into actions and objectives

Source: from Holland and Jackson.¹⁶⁴

BOX 17 Questions for hospital boards

- How would you define the relationship between the board and hospital management? What role does each play?
- Is the board's decision-making process inclusive or do a few board members dominate key decisions?
- Is the board getting the educational guidance it needs to understand the hospital and the market? Is the management information received relevant and accurate?
- Is each individual comfortable to speak out when he or she disagrees?
- What is the chairperson's role and how does the chairperson relate to the CEO and the other board members?

Source: from Kane *et al.*³¹²

The review of guidance and research evidence for *The Healthy NHS Board*¹⁵⁵ suggests that skills development is thought to be important in creating effective boards around the areas of leadership and corporate skills. It also identified board dynamics and evaluation as important in ensuring that the board is fit to undertake its roles and responsibilities.

Bullivant³¹³ has identified a range of interventions that can be applied to health-care boards to improve performance, many of which have been identified earlier in this chapter. He refers in particular to the annual board review, which is a requirement of Monitor's code of governance.²⁴⁷ This is an expectation that all boards undertake an annual rigorous evaluation of their performance and that of committees. In parallel, Bullivant³¹³ also recommends that boards should undertake a review to ensure that they have mature processes in place covering Garratt's³³ key board tasks in relation to mission, vision, strategic direction, prioritisation, monitoring and accounting to stakeholders. He proposes that board members should complete a diary in order to facilitate the discussion and keep focus, with real examples of issues to be addressed. He also discusses the NHS Leadership Academy³¹⁴ and its checklist to stimulate thinking and discussion about the outcomes that the board requires. Bullivant's³¹³ paper identified 16 different board development interventions (*Box 18*).

Storey *et al.*³¹⁵ propose the use of a model based on the European Foundation for Quality Management (EFQM) identifying the enablers of understanding roles and purposes of boards, agreeing values and principles, identifying congruent board behaviours and understanding process.

Drawing on practitioner literature, the NHS Institute for Innovation and Improvement developed a board development tool for foundation trusts and aspiring foundation trusts. The tool measures board effectiveness and is intended to be completed by all members of the board. At the very centre of the model is organisational purpose. The tool is structured in three tiers that help to describe any effective board: gaining clarity and insight, clarifying priorities and defining expectations and holding others to account and seeking assurance.

The tool identifies eight facets to be explored:

- board composition
- board engagement
- governance structure
- board agenda
- board reporting

BOX 18 Range of NHS board development interventions and tools

1. Membership of networks
2. Away days and rapid progress events
3. Board observation
4. Board to ward
5. 2- to 3-hour lock-ins
6. 24-hour lock-in
7. World café
8. 360-degree review
9. Speed dating
10. Board succession planning
11. Partnership working
12. External programmes
13. Whole-board mentoring/coaching
14. Individual one-to-one coaching
15. Bespoke board programme
16. Board-to-board

Source: from Bullivant.³¹³

- board dynamics
- chairperson's leadership
- performance evaluation.

This model was evaluated by PricewaterhouseCoopers in February 2010.³¹⁶ The key findings of the evaluation were that most boards considered themselves to be performing well prior to undertaking the board development tool, which was in the main viewed as an external checklist. Overall, participants were satisfied with the board development tool and thought it to be effective as a diagnostic tool – the majority of participants agreed that the board development tool was effective as a starting point for consideration of how boards could develop. Effective facilitation was viewed as crucial to the success of the board development tool. This echoes findings below about the deployment of external facilitators.

Board development can be delivered in a number of ways. From the health-care sector, Boggust *et al.*³¹⁷ proposed a four-stage longitudinal non-accredited intervention that lasted for approximately 9 months. The four stages were:

1. briefing to give the chairperson and chief executive the opportunity to decide on the right approach for them to take
2. diagnostic phase, involving two workshops with the whole board to help them understand themselves, their context and content, strengths and weaknesses and relationships in the wider organisation
3. development phase, a process of priority setting and development of strategy
4. implementation stage in which the plans are implemented and the arena set for continuous improvement.

The authors also noted that, although broad governance principles apply to every board, circumstances differ. Each board has to be seen as unique and receive a bespoke programme to meet its needs.

In comparison with the four phases, Chambers and Higgins³¹⁰ identified four different types of board development dependent on what the needs of the board collectively and its individual members were:

1. *Exploratory development*. This is related to the generative governance mooted by Chait *et al.*³² (see *Chapter 2*) around organisational renewal, unlearning organisational practices that have become unhelpful by diagnosing new opportunities, new performance measures and new control systems. Cross-cultural exchanges are an example of exploratory development to help boards gain different perspectives and insights into problems and issues that they may be facing and in circumstances in which there are some real choices around strategic development and opportunities, in contrast with transformational development, described below, in which a step change or paradigm shift is required but the direction is already known or sketched out.
2. *Transformational development*. This encompasses, first, visioning work to ensure that the organisation knows where it is heading, by assessing, mapping and checking both the internal and external strategic environment, and, second, cultural change programmes to ensure that board decisions and behaviours are congruent with the mission and with expectations for the rest of the organisation. Transformational development activity is connected to the long-term and performance axes of board tasks on Garratt's³³ framework and to the strategic governance component mooted by Chait *et al.*³² (see *Chapter 2*) relating to the work of the board in business planning.
3. *Development of generic capabilities*. Generic capabilities of board members include effective board participation comprising constructive challenge, chairing of committees and understanding statutory duties. These capabilities can be gained through open accredited or non-accredited programmes, for example as run by the UK Institute of Directors, or by one-off attendance at conferences or seminars. This relates to the fiduciary governance aspect of the work of board members as highlighted by Chait *et al.*³²
4. *Development of specific capabilities*. Specific capabilities of board members relates to sector- or domain-specific expertise and may cover induction, familiarisation with the business, finance, and knowledge and understanding of relevant technical products or services. This chimes with the theory about the expertise required of the 'engaged board', as described above.

Bullivant³¹³ has cited the quality and role of facilitators as being essential to the effectiveness of interventions for board development and the need for effective commissioning of facilitation services. He identified that a good facilitator needs to be confident, experienced, able to listen as well as talk, flexible, wise and experienced, and the roles that a facilitator can play are as critical friend, expert advisor and challenger.

Sponbergs²⁹¹ also suggests that an external person might be helpful, depending on board appetite and also the content and context of what is being worked on. The term he uses is 'trusted outsider' who could attend meetings to observe and give feedback on team expertise and dynamics. He does add a caveat here that the person would have to understand how boards operate.

Chambers and Higgins³¹⁰ indicate that facilitators can be used in at least two distinct ways, either as a single intervention to do a specific piece of work, for instance a board away day or a retreat, or to build up a long-term relationship with a board, for example to aid in longitudinal board development. The authors identified five different styles of facilitation that could be used to aid a board, drawing from Cockman *et al.*'s work.³¹⁸

1. *Acceptant* – involving listening, encouraging storytelling and exploring narratives – helpful in diagnostics, shaping organisational culture and understanding the impact of emotions on the individual and organisation. This echoes Bullivant's³¹³ view about the need for facilitators to be good active listeners.
2. *Catalytic* – helping the board to gather information, synthesise and make sense of the information and use the information to make better, more grounded decisions.
3. *Confrontational* – offering challenge to ensure that the organisation and the board are congruent in word and deed, similar to Bullivant's³¹³ idea of the facilitator as critical friend.

4. *Prescriptive* – providing expert advice to the board on whatever areas the board are deficient in, echoing Bullivant's³¹³ notion of the expert advisor.
5. *Reflective* – holding up a mirror that situates the board in the wider system or sector environment and using the facilitator's expert knowledge of the context for peer comparison and insight.

Chambers and Higgins³¹⁰ exploratory empirical study found that, although all five styles were found to be relevant according to circumstances, the confrontational facilitating style was most useful to a board and the prescriptive style least useful. *Table 15* maps the kinds of board development in relation to the NHS that fit with Garratt's³² cycle of board tasks and also the associated facilitation style that may be the most appropriate.

Stanton³¹⁹ identified that boards in the NHS have to contextualise the organisation's history, life stage, financial and clinical inheritance, range and scope of the services it provides and overall demographics of the people it provides services for. There is a particular concern around the board of governors in foundation trusts. In response to ambiguity around the role of the governors (as distinct from the board of directors) referred to in *Chapter 3*, and drawing from theories about boards with particular reference to the two-tier Rhineland model and the mutual tradition, Gregory⁷⁰ has proposed a governors' role and responsibility framework (GRRF) (*Figure 7*). The details of the framework are provided in *Appendix 2*.

Conclusions

A review of the general literature and the literature relating to board development in health care has revealed a wealth of largely prescriptive guidance based on review of theories or anecdotal experiences of developing boards. *Table 16* offers a map of board development tools according to circumstances or contexts. We are at the stage of being able to map the range of interventions and their relevance in context, mechanism and (desired) outcome terms and this is portrayed in *Table 17*. There are some clues in relation to the role of a facilitator in board development. Further research is called for to determine the part played by facilitators as enablers here. What is not possible is to determine the effectiveness of board interventions, as there are no significant studies on this, other than self-reports. There is thus a lack of evidence on the underlying empirical basis for the tools and a lack of evaluation of the impact of the interventions.

TABLE 15 Framework for NHS board development

Conformance/short term	Performance/long term
External focus	
Board focus: accountability; fiduciary governance (<i>accounting for strategy and performance</i>)	Board focus: policy formulation, establishing core values; generative governance (<i>what to do</i>)
Requires generic and specific induction and skills development programmes (e.g. training on patient and public involvement)	Requires exploratory and transformational organisation development activities (e.g. retreats, away days, visioning) and 'new board' work
Acceptant, catalytic and prescriptive facilitating styles	Reflective, acceptant and confrontational facilitating styles
Internal focus	
Board focus: monitoring of progress and behaviours; fiduciary governance (<i>monitoring performance</i>)	Board focus: strategic thinking and key principles; strategic governance (<i>how to do it</i>)
Requires generic and specific induction and skills development programmes (e.g. briefings, seminars, board director induction programmes, clinical governance training)	Requires exploratory and transformational organisation development activities (e.g. away days, workshops, team building) and 'new board' work
Catalytic and prescriptive facilitating styles	Reflective and catalytic facilitating styles

Source: from Chambers and Higgins.³¹⁰

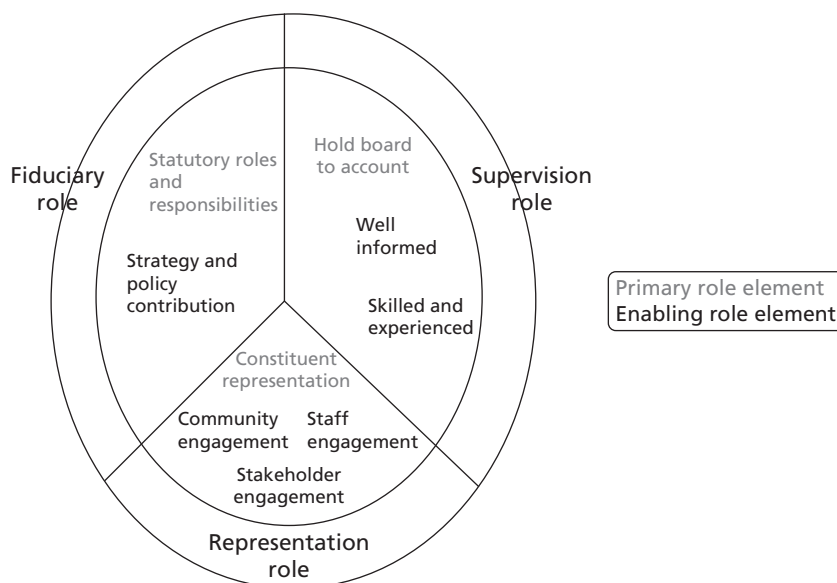


FIGURE 7 Governors' role and responsibility framework.

We identified five areas where board development approaches should be more focused given our previous analysis of board theories, board practices and the impact of boards on organisational performance. We found, first, an inadequate focus on the existence of competing board theories and models. For example, the consequences of starting from an agency position as opposed to a stewardship or stakeholder or managerialist position are not explored in any of the board development approaches that we identified. Second, in relation to the social purpose of health-care organisations, board development may not be giving primacy to developing the skills of the board in addressing clinical quality. Third, in the balance of board tasks, we did not find that board development frameworks drew sufficiently from the elements of fiduciary, strategic and generative governance. Fourth, there is inadequate focus on contingency thinking, for example organisational evolutionary theories, stable compared with unstable environments and the type of organisation led by the board. Finally, the evidence suggests that boards in some circumstances may do well to focus strongly on strategy, but that the way in which they might enact this task will vary according to circumstances. We could not find much evidence of a corresponding emphasis on developing the quality of strategic thinking and decision-making by boards in board development programmes.

TABLE 16 Board development contexts and tools

Type/purpose of board development	New board	Existing board	Merged board	Internal/external specific issue	Technical knowledge and skills	Cultural change	Leadership	Individual development	Strategy	Team building
Tools for continuous improvement										
Longitudinal non-accredited	X	X	X	X	X	X	X	X	X	X
Mandatory training	X	X	X	X					X	
Formal accredited education							X	X		
Collective team building										
Generic one-off expert sessions	X	X	X	X		X	X		X	X
Learning board	X	X	X	X			X		X	
Board committee										
Board appraisal										
Board evaluation										
Away days/retreats										
Board retreat	X	X	X	X		X	X		X	X
Critical reflection	X	X	X	X		X	X			X
Field trip	X	X	X	X						X
Lock-in										
Board away days	X	X	X	X		X		X	X	X

Type/purpose of board development	New board	Existing board	Merged board	Internal/external specific issue	Technical knowledge and skills	Cultural change	Leadership	Individual development	Strategy	Team building
Tools for team/personal development										
Myers-Briggs Type Indicator (personality preference tool) ^a	X	X	X			X				X
Belbin ³²⁰										
Coaching							X			X
Mentoring								X		X
Emotional intelligence										
Decision-making tools										
EFQM ^b	X	X	X	X					X	
Strengths, weaknesses, opportunities and threats (SWOT) (strategy diagnostic framework)										
PEST ^c										
Use of management consultants	X	X	X	X			X		X	X
External interventions										
Monitor										
Care Quality Commission										
Foundation Trust Network										
<p>a See www.myersbriggs.org.</p> <p>b See www.efqm.org.</p> <p>c Political, economic, social and technological influences, a tool for strategic analysis, as cited in Johnson and Scholes.³²¹</p>										

TABLE 17 Range of interventions

Intervention	Context	Purpose/desired outcome
Time-limited longitudinal (includes diagnostic, development, implementation and review)	Organisation life cycle: growth and maturity	Transformational change, organisational renewal, exploratory
Continuous	Organisation life cycle: growth and maturity	Transformational change, organisational renewal, exploratory
Evaluation	All stages of organisation life cycle. Diagnostic, formative or summative drivers	Authorisation, external rating, improved organisational performance, improved board leadership, teamwork, clarity of roles
Away days/retreats	All stages of organisation life cycle	Exploratory, horizon scanning, strategic perspective and planning, rejuvenation, legacy building
Collective team building	Concern about board dynamics	Better relations between board and executives, role clarity, understanding individual personality preferences
Decision-making tools	Facing strategic choices	Optimising decision-making for organisational benefit
Appraisals	Led by chairperson	Enables identification of gaps and weaknesses on board and systematic means of addressing these
Individual skills-based training sessions	Organisation life cycle: start-up, growth and maturity phases	Develop specific capabilities, knowledge and competences
Tools for individual effectiveness (Belbin's ³²⁰ team roles, Myers–Briggs Type Indicator)	Board start-up, growth and maturity phases; different team roles called for at different stages	Developing emotional intelligence, ensuring that board harnesses individual strengths and preferences

Chapter 7 Conclusions

In this chapter we summarise the main findings from our synthesis of the literature and list the principal literature sources for these. We also summarise our findings against the issues raised by members of our stakeholder group.

We know that there are knowledge gaps concerning the composition of boards operating inside the NHS and the characteristics that make them the NHS effective, their impact and the range of tools and techniques available for developing effective boards. The literature on boards is diffuse, originating from different disciplinary domains with little attempt to build common frameworks across them. There has been little work in applying board theories to the context of the NHS. Knowledge about the range and impact of board assessments and board development interventions has not been gathered. This study aimed to add to existing knowledge by:

1. providing a theoretical contribution to board governance and relating it to the NHS context
2. offering fresh insights into effective board composition, structures, processes and behaviours in the NHS
3. furthering an understanding of how NHS boards can affect organisational performance
4. summarising and analysing the range of board assessment tools and development interventions available for the NHS.

We acknowledge that the study has limitations. These relate particularly to the diverse nature of the sources of evidence on which the review is based and the relative infancy of the realist synthesis method; hence, detailed guidance around the processes of data extraction and appraisal is limited. Given the diversity of literature on boards and governance, we have purposely drawn on evidence from a broad range of peer-reviewed journals, books and reports. We are not claiming to be exhaustive in the search strategy employed; rather, we have focused on literature that helps to shed light on the theoretical propositions that drive the review, and the relevance and rigour of the literature are judged in relation to the particular proposition under consideration, regardless of its source. The literature is fragmented, equivocal and at times contradictory. We believe, nevertheless, that the study offers insights in terms of developing middle-range theories for effective health-care boards that can be tested with observable data. Boards face choices over how they proceed: the study provides some clues about which mechanisms (generative forces) in relation to board composition, focus and dynamics *might* result, dependent on circumstances (contexts), in particular outcomes.

Understanding about boards in the NHS context

There is not a simple theory about how boards should operate. We have outlined a realist interpretation framework of board theories, contextual assumptions, mechanisms and intended outcomes. This suggests that the use of certain models for boards may be more appropriate than others, depending on what the priority is in terms of organisational outcome. We have identified some support for the emerging theory of high trust, high challenge and high engagement as a default theoretical position, but with less empirical evidence for the first part of this triadic framework. A high degree of board challenge (see below for references) has been acknowledged in all sectors as being associated with the avoidance of governance failures and, similarly, high engagement is associated with better performance. High trust emanates from stakeholder and stewardship theories around the notion of a collective managerial/public custodian endeavour and a focus on performance improvement and thus has intuitive appeal for organisations with social goals. It therefore has a sound theoretical foundation but without the same degree of empirical evidence that can be attached to it.

We have identified some important distinguishing characteristics in the public and non-profit sectors, including social enterprises:

- social performance (public value) as well as financial performance is a core purpose^{73,139,154,157,159,168–170}
- non-profit board members sometimes invest more of their time and are more predisposed to ‘managerial work’ than their for-profit counterparts^{32,157,159,205}
- public boards may suffer from ‘institutional isomorphism’ in which governance structures, rituals and procedures are copied and reproduced from the private sector without regard for their fitness for purpose for the public sector^{157,173}
- accountabilities on public boards may be blurred as a result of the influence of political patronage, class hegemony and the subversion of formal authority.^{67,68,174}

Effective board composition, structures, processes and behaviours in the NHS

In addition, specifically in the health-care sector, we found:

- evidence of the importance of an appropriate organisation–environment linkage reflective of resource dependency theory^{134,141,153,194,195,200–202,210}
- increasing embeddedness of health-care governance, that is, as part of a complex superordinate and subordinate governance network^{134,153,183,202,211–213,314,315}
- hybridised corporate and philanthropic models of governance, particularly in relation to board size, representation, payment of fees for board members and committee structure^{191,192}
- little involvement in the setting of strategy, as distinct from endorsement of strategy.^{186–188,190}

Many authors argue that board practices do vary according to circumstances, in both the private and the public sectors. As well as national, geographical, cultural, organisational size, sectoral and service differences, the following are often mentioned^{152,191,192,194,200,201,211,216,217} as key variables:

- organisation life cycle (start-up, mature, decline)
- stability compared with transformation or crisis
- degree of professionalisation
- degree of competition or market pressures.

Choosing the appropriate mechanisms (whether it be around board composition, board focus or board behaviours) to achieve the desired outcomes appears to be important according to the particular situation. For example, for stable organisations, increased monitoring and a strengthened rein on a powerful CEO or chairperson if he or she has been in position for some time may be indicated (in accordance with agency theory), in contrast to a focus on boundary spanning and on the external environment (in accordance with resource dependency theory) in circumstances of turbulence and threat.

Understanding about how NHS boards can affect organisational performance

We examined empirical studies about boards in general and about health-care boards to establish how NHS boards can affect organisational performance. Although we found an absence of evidence about linkages between context, mechanisms and desired outcomes, the relevance of contextual factors is well highlighted. This is in stark contrast to the guidance available to boards analysed in *Chapter 4*, which we found is generally predicated on a one-size-fits-all or universalised approach.

Evidence from empirical studies indicates the importance of taking into account the internal and external environment in the choices that boards make about diversity, board size, proportion of insider and outsider directors, strategic focus and the balance of time spent on advisory/partnering as distinct from monitoring functions. In addition, there was some contradictory evidence and contingent relationships between variables indicating some demiregularities (e.g. a focus on gender diversity is advocated in some circumstances, such as when there is a need for improved monitoring, and not in others). The following evidence is of particular interest and lends further support to a theory about the dynamics of an effective board in relation to high challenge, high trust and high engagement as outlined in *Chapter 1*, modified in *Chapter 2* in the light of our developing understanding about the linkages between different contexts and desired outcomes and further modified as a result of the relative lack of empirical evidence around the importance of a high level of trust on boards:

- The benefits accrued by larger boards, particularly in relation to increased monitoring, are outweighed by higher agency costs, informational asymmetry and communication and decision-making problems.^{178–180,193,270,271}
- Improved monitoring can come at a cost of weaker strategic advising and greater managerial myopia. Firms with boards that monitor intensely exhibit worse acquisition performance and reduced corporate innovation.^{120,186,274}
- Board processes (the way that information is gathered, knowledge is built and decisions are made) are more important than structure and composition.^{39,167}
- Evidence suggests that top-performing non-profit boards in the USA use more recommended board practices such as board self-evaluation and development programmes.^{120,139,163–165,203,204}
- Studies comparing corporate and philanthropic models of governance in health care suggest that corporate models are associated with increased operational efficiency and increased market share.¹⁹³
- For high-performing hospitals and those with better performance in processes of care and mortality there is greater physician involvement at board level, a quality subcommittee and greater expertise and formal training in quality; quality is reported as a higher priority for board oversight and CEO performance evaluation; boards are significantly more familiar with current performance and significantly more involved in reviewing quality data; more time is spent on clinical quality at board meetings (greater than the time spent on financial performance) and there is evidence of will–execution–constancy of purpose.^{193,196,206–208}
- Boards with strong financial performance exhibit stronger internal behavioural dynamics, for example the chairperson's relationship with the CEO, level of challenge and openness in decision-making, interpersonal climate and systematic implementation of board processes such as the timely sharing of relevant and accurate information, advising and challenging management and regular board education.^{202,203,322}
- Boards of high-performing hospitals are more fully engaged in key governance processes, including a strong strategic focus, and the prevailing governance culture is more interactive and proactive.^{134,202,203,205}

Governance failings in health care

It is instructive at this point to consider selected failures in health-care organisations [see Chambers (p. 388)¹⁸⁹] that can, at least in part, be attributed to failings in governance and to relate these to the themes developed in this study.

- Grantham Hospital (UK): Beverley Allitt, a nurse, murdered a number of babies in her care. The inquiry (1994) found *inter alia* that the approved human resources recruitment policy had not been followed in the appointment process to her post at the hospital.³²³ *This study (see summary in Understanding about how NHS boards can affect organisational performance) has found that hospitals with better processes of care and lower mortality have greater doctor involvement on the board itself and the board prioritises*

the oversight of clinical quality. The Healthy NHS Board¹⁵⁵ places emphasis on the board role in shaping organisational culture and behaviours, and undertaking board development and evaluation.

- North Bristol NHS Trust (UK): In 2003 there was a £44M overspend; independent review found relationship breakdowns and failings within the finance directorate, internal audit, executive team and board, who had all failed to spot and track the growing deficit *This literature synthesis (see summary in Understanding about how NHS boards can affect organisational performance) has found that high-performing health-care organisations, in particular those with a stronger financial performance, have boards that are more fully engaged in key performance processes and the prevailing board culture is more interactive and proactive, providing the CEO with both advice and challenge.*
- Walter Reed Army Medical Center (USA): In 2007, the *Washington Post* exposed neglect, dirty and rundown facilities and labyrinthine bureaucratic processes for soldiers attempting to access care and treatment. This resulted in a series of dismissals of evermore-senior service officials responsible for the Center and for the wider health-care system providing for serving soldiers and veterans. Health-care governance is increasingly embedded in broad and complex systems and networks in which accountabilities can be blurred. Systematic board focus on clinical quality of care is associated with superior performance.
- Mid Staffordshire NHS Foundation Trust (UK): The Francis report³ in 2010 found that the board lacked focus on the job of a hospital in terms of caring for patients and had poor levels of insight and a confused system of governance. *A common theme we have found emanating from the literature on public and non-profit boards is that their core purpose is assuring social performance (securing public value) in addition to financial performance. Drawing from evidence from the health-care and the private sector we have also identified the importance of boards having a strong grip and high levels of engagement, although the need for this will vary according to prevailing circumstances.*

Board development tools, techniques and interventions

In *Chapter 5* we map the range of board development tools, techniques and interventions. We are at the stage of being able to map the range of interventions and their relevance in relation to context, mechanism and (desired) outcome configurations. This is an advance on existing guidance for boards, which, as we have seen in *Chapter 3*, is generally predicated on there being one best way. There are some clues in relation to the importance of the role of an external facilitator in board development.^{292,310,313}

What is not possible is to determine the effectiveness of board interventions as there are no significant studies on this, other than self-reports. There is thus a lack of evidence on the underlying empirical basis for the tools and a lack of evaluation of the impact of the interventions.

We identified five areas where board development approaches should be more focused, given our previous analysis of board theories, board practices and the impact of boards on organisational performance. These are:

- more emphasis on the existence of competing board theories and models
- further attention to the three elements of fiduciary, strategic and generative governance
- primacy to developing the skills of the board in addressing clinical quality
- exploration of contingency thinking, for example organisation evolutionary theories, stable compared with unstable environments and the type of organisation led by the board
- understanding of the board role in shaping strategy, according to circumstances.

Questions of particular interest to members of the advisory group

Members of the stakeholder and advisory group (see *Chapter 1*) identified a series of questions that they would find useful for this study to address. Our analysis of the literature has provided an opportunity to offer some insights while emphasising (a matter that was entirely understood by the group) that simple answers to these questions are not possible. The main areas where we were able to make progress, and which are pertinent to both future practice and research, are:

- What are the role and purpose of NHS boards? In what ways are these the same as or distinct from other boards? To what extent are diffusions of governance models, for example in relation to financial performance from other sectors (e.g. the commercial sector), applicable to the NHS? What is not transferable?
 - Distinguishing characteristics of boards in the public, non-profit (including social enterprises) and health-care sectors are analysed in *Chapters 3–5* and summarised in *Understanding about boards in the NHS context* and *Effective board composition, structures, processes and behaviours in the NHS*. We have identified a strongly held view coming from the literature on boards in the public and non-profit sectors that social performance criteria should be considered as important as financial performance criteria. In the health-care sector this would translate as a need for attention to be paid by boards equally to the patient experience and outcomes and to finances and service efficiency. This is a fundamental difference between the two sectors. The realist methodology has revealed that effective boards in both private and public sectors face choices and should moderate their approaches in relation to board composition, focus and behaviours, according to circumstances, for example the degree of stability, turbulence, threat and competition in the external environment, start-up compared with established organisations, the need to minimise risk, and the power and length of tenure of the CEO. Beyond the existence of doctors on boards, the preconditions for a relentless focus by the board on clinical quality of care are not well understood.
- What is the range of contributions that board members can usefully make? What are the respective roles of specialists/experts (e.g. clinicians) and generalists and what contributions can they make? What is the role of the chairperson in running the meeting, framing the discussion, ordering the agenda? What is and could be the role and function of the board of governors in foundation trusts in comparison to the role and function of the board of directors?
 - The role of the board and particularly the non-executive directors in shaping, formulating and evaluating strategy is a recurring theme and there is some evidence that this activity has been comparatively neglected on boards in the English NHS. The presence of insider experts on the board (particularly medical clinicians) appears to be of value in ensuring superior performance, both clinical and financial. The role and function of boards of governors in foundation trusts is explored above (see *Chapter 3*, especially *Health-care boards*, and *Chapter 6*, especially *Board development in health care*) and in *Appendix 2*. There is overall a lack of empirical evidence on the impact of the composition of health-care boards on organisational performance.
- How important is diversity (style, gender, background, knowledge and ethnicity) for dynamics and effective board working? When?
 - Issues of diversity, specifically in relation to gender, are explored in *Chapters 2* and *4* on theory and guidance around board composition. There are four main lines of argument: the need to tap into the widest possible talent pool; the fact that diverse boards understand their stakeholders better; it prevents 'groupthink'; and the increasing (recent) evidence that women on boards are associated with better firm performance.

- What questions should this study be asking in the light of forthcoming changes in the NHS (e.g. for foundation trusts, clinical commissioning groups)? What are the lessons from the evidence about effective boards that are applicable to clinical commissioning groups?
 - The lessons are summarised in the first four sections of this chapter. The study indicates the importance of boards of provider organisations, including foundation trusts and social enterprises, balancing financial demands with considerations of continuous monitoring and improvement of clinical performance. Clinical commissioning groups are start-up organisations, which according to the evidence might do well to focus on boundary spanning to establish productive interorganisational relationships locally and nationally. There is also evidence that a predominantly insider expert board (e.g. with GPs filling the majority of the positions) to develop strategy and services may be timely in this early stage. In subsequent phases, a revisiting of board composition and focus may be necessary to ensure vigilance against unnecessary risks and to re-evaluate strategic priorities.
- What kinds of board development are effective and in what circumstances? What is a good balance between individual and collective board development?
 - Evidence on this was missing in the general literature as well as in the literature on health-care boards. Our conclusions about the focus for board development in the light of emerging evidence about effective boards are summarised in *Chapter 6*. The conclusions include more emphasis on the existence of competing board theories and models and further attention to the three elements of fiduciary, strategic and generative governance, developing the skills of the board in addressing clinical quality and understanding of the board role in shaping strategy, according to circumstances.

Areas for further research

There is not a simple theory about how boards should operate. The synthesis of the diverse literature about general and health-care boards leads us to a better understanding of what kinds of boards (in relation to composition, focus and dynamics) operating in specific contexts may be conducive to certain organisational outcomes. Some of the literature around the impact of health-care boards on performance is quite heavily US focused and there remains a problem of transferability of that evidence to other contexts. There remain gaps in our knowledge and understanding about the impact of boards on performance and about the importance of context. Much board development is hypothesised on incomplete understanding of the role and purpose of boards in context. We suggest three main areas for further research:

1. Given the presence of mimetic institutional isomorphism, according to which we argue that the NHS may have copied governance structures and processes from other contexts, we would recommend further empirical studies on the question of the composition of NHS boards, replicating some of the studies that we have analysed which have taken place outside health care. This would include questions of board size and the issue of the philanthropic compared with the corporate model, the proportion of non-executive directors (lay members) compared with managers, length of tenure, diversity and the background and expertise of non-executive directors. This would offer an evidence base for the first time around board composition for the NHS.
2. We know that there is research under way investigating the question of board governance and patient safety.³²⁴ Broadening this somewhat, our analysis of non-profit, including social enterprise, and health-care boards leads us to an understanding that NHS boards do have social performance (public value) as well as financial performance as a core purpose, but permission for an overarching focus on clinical quality may be only just emerging. We recommend a study to complement the mainly US

studies that identifies the conditions under which this focus on clinical quality, encompassing clinical effectiveness and patient experience as well as patient safety, is allowed to flourish.

3. We could not find studies that evaluated the impact of board development tools, interventions and programmes on organisation outcomes. This was a gap in the general literature as well as in the literature on health-care boards. We therefore recommend an empirical study that investigates associations between board development activities and organisational performance, and the role of external facilitation, mindful of the mediating effect of different health-care system contexts. This would offer an understanding for the first time of the contribution of board development to higher organisational performance.

Concluding remarks

As clinical commissioning groups form and their boards start to meet, as NHS trusts continue to oversee the planning and delivery of health services, they may take some comfort from the fact that the evidence is not there (and unlikely ever to be) that there is one right or wrong way to go about effectively discharging their governance role. This study has shown that we should be wary of prescriptive guidance which carries that underlying assumption. It is in our nature, however, to abhor a vacuum. A practitioner guide for NHS boards and clinical commissioning groups will accordingly be developed using the findings from this study, which will offer some steer about the choices that boards face around composition, focus and dynamics, drawing from the theory and evidence that this realist review has illuminated about the potential consequences of those choices.

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Contribution of authors

Naomi Chambers (Professor of Health Policy and Management), as chief investigator, designed the study and led the main review, report writing and editorial process.

Gill Harvey (Reader in Health Management) advised on methodology, contributed reviews of specific research questions and compiled sections for the final report.

Russell Mannion (Professor of Health Systems) advised on the overall design and conduct of the study and contributed to the report writing.

Julian Bond (Senior Fellow) contributed reviews of specific research questions and compiled sections for the final report.

Jane Marshall (Academic Engagement Librarian) assisted with the design and conduct of the literature review.

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Appendix 1 Sample extraction forms

RQ3: impact of boards on performance

Aim: To assess the empirical evidence on how NHS boards can contribute to organisational performance.

Research question 3: What is the empirical evidence (positive and negative) on the impact of NHS boards on performance, including at different stages in the performance cycle?

Propositions to be explored in the literature:

- 3.1 High-performing boards take a critical perspective on how they measure and control for organisational performance.
- 3.2 Boards prioritise quantifiable and more easily measurable areas of performance.
- 3.3 Hearing and using patient and staff perspectives and patients' stories are important in framing board business.
- 3.4 Boards in the NHS may have more influence on financial performance than on clinical performance (does finance trump quality?).
- 3.5 'Greater' (however measured) contribution of non-executive directors on boards is associated with higher organisational performance.

Title of paper	Campbell K, Mínguez-Vera A. Gender diversity in the boardroom and firm financial performance. <i>J Bus Ethics</i> 2008; 83 :435–51 (Paper 8)
Name of reviewer	GH
Type of paper (i.e. research design)	Empirical study employing panel data analysis
Context	68 non-financial firms in Spain, 1995–2000
Mechanism as unit of analysis (e.g. board composition, methods of working, dynamics)	Four measures to assess the extent of female board membership: presence of one or more female directors; percentage of female directors; two indices of gender diversity. Note: no real analysis of the impact of female board members in terms of the influence they have on board ways of working
Outcomes	Firm value, using an approximation of Tobin's q
Relevant findings	Presence of women on the board in itself does not affect firm value; however, the diversity of the board (measured by percentage of women and two other indices) does have a positive impact on firm value. Suggests most important to get a balance between men and women on the board, rather than simply having one or more women present. Also tested to see if successful firms simply hire more women, but this not supported from the data
Methodological strength of paper in its domain	Robust paper
Overall interest <i>and</i> relevance score (1–4)	Further possible references to follow up. ? more relevant to RQ2

Title of paper	Chamberlain TW. Board composition and firm performance: some Canadian evidence. <i>Int Adv Econ Res</i> 2010; 16 :421–2 (Paper 12)
Name of reviewer	GH
Type of paper (i.e. research design)	Short report of an empirical study employing multiple regression, but no methodological details are provided
Context	Largest 100 Canadian public firms (by revenue) 2005–7
Mechanism as unit of analysis (e.g. board composition, methods of working, dynamics)	Board involvement and board effectiveness. Board involvement: impact of outside director representation on the board, together with the level of equity ownership of directors. Board effectiveness: tenure characteristics of outside directors and the relationships to performance
Outcomes	Return on assets and return on shareholders' equity
Relevant findings	Number and proportion of outside directors positively and significantly related to financial performance. Outside director tenure positively related to performance; accumulated learning and power effects of long tenure enable directors to be more effective in their various governance roles <i>but</i> these benefits diminish as tenure increases. Overall findings suggest that boards should try to retain effective members, but not for an indefinite period, and should pursue a policy of staggered replacement to retain organisational memory
Methodological strength of paper in its domain	No methodology included in the paper. Fuller report of study available elsewhere
Overall interest <i>and</i> relevance score (1–4)	Interesting paper, but need to follow up further for more detailed report
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Title of paper	Cheng S. Board size and the variability of corporate performance. <i>J Financ Econ</i> 2008; 87 :157–76 (Paper 14)
Name of reviewer	GH
Type of paper (i.e. research design)	Empirical study; statistical analysis
Context	USA; 1252 firms from the Investor Responsibility Research Center's (IRRC) data set on corporate directors, 1996–2004
Mechanism as unit of analysis (e.g. board composition, methods of working, dynamics)	Board size and variability of board performance (predicted that larger boards have communication/co-ordination and agency problems). Larger boards expected to take longer to reach consensus, therefore final decisions reflect more compromises and are less extreme than those of smaller groups; in turn, because decisions are less extreme, large boards should be associated with less variable performance. However, agency problems (e.g. directors' free riding and increased CEO power in decision-making) may result in more or less variable performance
Outcomes	Variability in monthly stock returns, annual accounting return on assets and Tobin's q
Relevant findings	Board size adversely affects the variability of corporate performance and value; consistent with the view that extremity in board decisions decreases with board size
Methodological strength of paper in its domain	Detailed analyses reported.
Overall interest <i>and</i> relevance score (1–4)	Interesting but not directly relevant to RQ3 propositions. May have relevance for RQ2

Title of paper	de Andres P, Vallelado E. Corporate governance in banking: the role of the board of directors. <i>J Bank Finance</i> 2008; 32 :2570 (Paper 24)
Name of reviewer	GH
Type of paper (i.e. research design)	Econometric (panel data) analysis
Context	Information from 69 commercial banks of six Organisation for Economic Co-operation and Development countries (Canada, USA, UK, Spain, France and Italy) from 1995 to 2005
Mechanism as unit of analysis (e.g. board composition, methods of working, dynamics)	Size, composition and functioning of boards of directors
Outcomes	Firm market–book value ratio, return on assets and annual market return of a bank shareholder
Relevant findings	Inverted U-shaped relationship between board size and bank performance, that is, a higher number of directors should benefit the monitoring and advisory functions, improve governance and raise returns but there is a limit (around 19 directors) beyond which co-ordination, control and decision-making problems outweigh the benefits. Similar finding in relation to proportion of non-executive directors and performance: trade-off between monitoring (independence) and advisory (information) functions of the board
Methodological strength of paper in its domain	Detailed analysis reported
Overall interest <i>and</i> relevance score (1–4)	Relevant finding: board size is a trade-off between advantages (monitoring, advice) and disadvantages (control and co-ordination)
<hr/>	
Title of paper	Faleye O, Hoitash R, Hoitash U. The costs of intense board monitoring. <i>J Financ Econ</i> 2011; 101 :160–81 (Paper 31)
Name of reviewer	GH
Type of paper (i.e. research design)	Statistical analysis
Context	Sample of S&P 1500 firms 1998–2006; final sample 10,636 firm-years for 2051 unique firms
Mechanism as unit of analysis (e.g. board composition, methods of working, dynamics)	Impact of intensity of board monitoring on directors' effectiveness in performing their monitoring and advising duties (and subsequent impact on firm value)
Outcomes	Quality of board monitoring, quality of advising and firm value (Tobin's q)
Relevant findings	Monitoring quality improves when a majority of independent directors serve on at least two of the three principal monitoring committees (greater sensitivity of CEO turnover to firm performance, lower excess executive compensation and reduced earnings management). But improved monitoring comes at a cost of weaker strategic advising and greater managerial myopia. Firms with boards that monitor intensely exhibit worse acquisition performance and reduced corporate innovation. Firm value results suggest negative advising outweighs benefits of improved monitoring (partly through reduction of trust in CEO). Need a nuanced consideration of relevant factors in governance to maximise value
Methodological strength of paper in its domain	Very detailed analyses reported
Overall interest <i>and</i> relevance score (1–4)	Relevant to propositions, especially 3.5

Appendix 2 Governors' role and responsibility framework

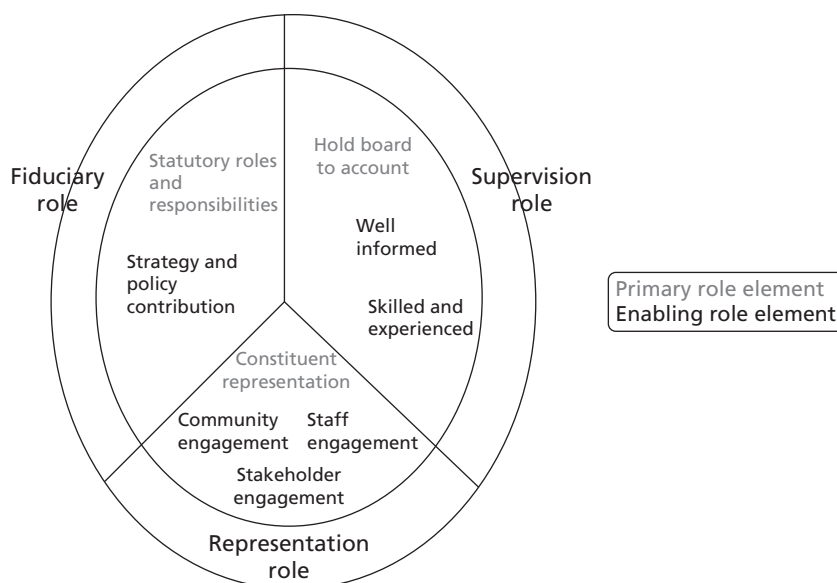
Background to the governors' role and responsibility framework

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The GRRF adopts a similar approach to the leadership qualities framework (LQF) to introduce each primary and enabling element of the framework by providing a headline description and indicating why it is an important element of the specified governor role. The results of the structured questionnaire (*chapter 6* and *appendix B*) are also used to evidence the relevance of each element, where appropriate.

There then follows a tabulation of the different levels, and associated characteristics, at which each role elements can be performed from 'zero' to 'three'. The zero level is intended to describe characteristics that are likely to be evident when the role element is not being performed effectively, with levels one to three showing progressive sophistication.

Where characteristics have been developed from published material this is referenced accordingly. Where evidence from the interviews in *Chapter 6* is used to support a characteristic this is indicated by the use of 'Interviews'.



D2 Fiduciary Role

D2.1 Statutory Roles and Responsibilities (Primary Element)

Governors understand their statutory responsibilities and ensure they are fit for purpose to discharge them.

Why it matters: Whilst the statutory responsibilities and powers of governors are laid out in legislation, less clarity is provided as to how they should be carried out in practice. Indeed considerable flexibility exists and diversity in local arrangements is encouraged. A number of the statutory powers are significant and difficult to reverse e.g. removal of a non-executive director. As such governors should be clear about the process involved in discharging these responsibilities. Governors in practice suggest that a well developed approach to performing statutory roles and responsibilities provides a firm foundation for developing and carrying out a broader range of governor responsibilities (Chait, Ryan and Taylor, 2005 and interviews in *Chapter 6*).

Level	Descriptor
0	<p>Lack of awareness or understanding about statutory role and responsibilities</p> <ul style="list-style-type: none"> • Statutory roles and responsibilities not understood • A collective discussion about how and when the roles should be exercised has not taken place • Confusion or uncertainty exists when statutory responsibilities have to be performed • Governors feel that statutory responsibilities are not carried out effectively
1	<p>Statutory roles and responsibilities are understood by all governors</p> <ul style="list-style-type: none"> • Chain of accountability from members through to management and the role of governors as a link is understood (Mills, 2007) • Governors can evidence their understanding of their statutory roles and responsibilities by describing how and when they discharge them (Interviews) • Governors regularly attend meetings and are able to fully participate (Lynch, 1979) • Appropriate disclosures are made in the annual report if powers reserved to the council of governors are utilised (HMSO, 2012)
2	<p>Statutory roles and responsibilities are performed effectively</p> <ul style="list-style-type: none"> • Governors have discussed how they have carried out their statutory roles and responsibilities, and agreed how this can be improved upon (Chait, Ryan and Taylor, 2005) • Governors are able to identify the value added from performing these roles (i.e. what did the governors actually do, and what was the benefit) • Consideration is given to the use of performance indicators for governors to record attendance and contribution (Interviews)
3	<p>Mature governance arrangements are in place</p> <ul style="list-style-type: none"> • Governors and chairman have agreed and documented how they will discharge their statutory roles and responsibilities (Monitor, 2006 and Lansley, 1996) • Governors record in the annual report how they have performed their statutory roles and responsibilities and also set out how these might be improved in the future (GCCG, 2012) • The size, composition and structure of the council of governors is regularly reviewed to ensure it is fit for purpose and it operates as an effective board where all members can contribute (Heidrick and Struggles, 2001) • The role of the lead governor can play in enhancing governance has been considered and formally agreed with the chairman (Jungmann, 2006) • Governors and directors have given consideration to how the powers to modify the FTs constitution under the 2012 Health and Social Care Act can be used to strengthen the fiduciary role of governors (HMSO, 2012 and Jungmann, 2006)

D2.2 Strategy and Policy Contribution (Enabling Element)

Governors should act as a vehicle for change and development of their FTs (DH, 2002b) by adding value and contributing to the work of the board of directors in developing strategy and policy.

Why it matters: With a diverse range of backgrounds and experience, governors have the potential to contribute insight and further ideas relating to the FT's strategic objectives. As such opportunities should be provided for governors to participate in the development of plans, rather than simply rubber-stamping those produced by the board of directors (Mace, 1971). In practice governors see taking an active role in the development of the FTs strategy and policy, places them in a stronger position to understand what needs to be done when it comes to holding the board of directors to account for performance (see interviews in *Chapter 6*).

Level	Descriptor
0	Rubber stamping <ul style="list-style-type: none"> • Policy and strategic plans are presented to governors as a <i>fait a compli</i> (Mace, 1971) • Limited opportunity for discussion or modification (Interviews) • Approval is seen as a tick box exercise (Interviews)
1	Defined process for involvement in Annual plan development <ul style="list-style-type: none"> • Key events and timetable for governor involvement has been developed and agreed with the board of directors (Interviews) • Two way discussion between governors and directors that enables plans to be developed and refined has taken place (Interviews) • Governors feel able to influence corporate objectives (Interviews)
2	Governors get to consider anything that sets or changes strategic direction (Jungmann, 2006) <ul style="list-style-type: none"> • Written agreement exists between governors and the board setting out levels of engagement and consultation with governors on anything that sets or changes the strategic direction (Jungmann, 2006) • Governors can openly express their views and offer advice to the board of directors on its proposed forward plans (DH, 2002b) • Governors are also able to express the views of their constituents and expect them to be taken into account when directors make decisions (Interviews) • When necessary governors are able to provide feedback and explain the rationale for changes to their constituents (Monitor, 2006)
3	Governors focus time on strategy and policy development <ul style="list-style-type: none"> • Time is identified in the annual cycle for governors to work with directors in order to understand strategic drivers and inform strategic objectives (NLC, 2010) • Consideration has been given to types of decisions that will be taken in partnership with governors (Arnstein, 1969)

D3 Supervision Role

D3.1 Hold Board to Account (Primary Element)

Governors ensure the board of directors remains consistent with its statement of purpose and complies with its regulatory conditions (DH, 2002b).

Why it matters: Whilst a variety of different bodies already have specific powers to hold FTs to account (e.g. Monitor and CQC), both the original thinking behind the FT concept and the current direction set out by the present government, is for governors to be active in supervising the actions of management. Governors in practice give examples such as the events at Mid-Staffordshire NHS FT, as significantly increasing the expectation that governors have an important role in questioning directors about performance matters (see interviews in *Chapter 6*).

Level	Descriptor
0	<p>No active performance monitoring</p> <ul style="list-style-type: none"> • Governors do not understand performance targets • Governors fail to identify poor performance • No dialogue with governors takes place on actions required to enhance or improve performance • Performance monitoring confused with interfering with day to day management (DH, 2002b) • Performance monitoring is all backward looking rather than also looking at what needs to be achieved in the future (Garratt, 1996 and Jungmann, 2006)
1	<p>Regular performance dialogue and agreement on action</p> <ul style="list-style-type: none"> • Key performance measures are well defined and understood by governors (Garratt, 1996 and Interviews) • Training is provided to help governors understand and proactively evaluate performance (Audit Commission, 2009) • Governors have worked with the board of directors to specify the process for holding to account and this has been documented, and is reviewed regularly (Fama and Jensen, 1983 and Interviews) • Performance is reviewed and discussed on a regular basis, together with any required corrective action (Garratt, 1996). • Governors and directors are clear about the separation of their roles (Monitor, 2011 and Interviews) • Governors have constructive dealings with the board of directors, and act as a counterweight to the board of directors (GCCG, 2000) • Governors and directors have develop a level of trust and understanding with respect to each other (Guo and Musso, 2007 and Interviews)
2	<p>Governors balance performance with development objectives</p> <ul style="list-style-type: none"> • An appropriate balance is struck between the scrutiny of past performance and support for management to further develop the organisation (Garratt, 1996 Tricker, 1984 and Interviews)
3	<p>Integrated approach to performance scrutiny</p> <ul style="list-style-type: none"> • The role of other relevant organisations in performance monitoring and management is understood e.g. Monitor, CQC, Overview and Scrutiny Committee and Local involvement networks, and governors are clear about how they should work with them (O'Sullivan and Diacon, 2003) • The outputs produced by the above organisations are understood and governors are able to triangulate those outputs with other performance information (Interviews) • Governors make use of comparative performance with other organisations e.g., benchmarking (Interviews)

D3.2 Well Informed (Enabling Element)

Governors have access to, use and understand operational, clinical and business information to help them carry out their role and responsibilities.

Why it matters: Information is not only needed to help governors discharge their role in holding management to account, but also to aid understanding of the environment the FT operates within and appreciate the complexity of health care provision. Having access to information is only part of the story, having the time (Monitor, 2011) and ability to be able to interpret and use it is at least as important.

Level	Descriptor
0	Limited availability, use and understanding of information <ul style="list-style-type: none"> Information available is controlled and filtered by management (Gregory and Simmelkjaer, 2002) Information is poorly presented and not explained
1	Availability of useful operational, clinical and business information <ul style="list-style-type: none"> Regular and well presented information (Garratt, 1996) Training provided to understand information (Spear, Cornforth and Aitken, 2009) Regular opportunities are provided to allow governors to clarify reports and information (Pound, 1995)
2	Appreciation of the complexity of environment and health care <ul style="list-style-type: none"> Regular training on internal and external environment issues (Interviews) Regular training on clinical issues including department visits (Interviews) Sub-committees used to gain more detailed insight to operational, clinical and business issues (Interviews) Governors given an opportunity to specify information requirements (Pound, 1995) Governors understand and regularly keep up to date with the regulatory requirement of FTs from Monitor and CQC (Interviews)
3	Use of extended information sources <ul style="list-style-type: none"> Consideration of additional information rights for sub-committees and/or lead governor (Jungmann, 2006) Governors triangulate information provided by the FT with other internal and external information sources (Tricker, 1994) Governors supplement information provided by the FT with qualitative information relating to patient experience by meeting constituents and observation (Pound, 1995) Governors are provided with opportunities to gain a deeper insight into the complexities of healthcare provision and operations (Cornforth, 2003 and interviews)

D3.3 Skilled and Experienced (Enabling Element)

Collectively governors should have available a broad range of skills and experience to carry out all the roles of governor. This should include skills and experience to supervise management and effectively use information (FTGA, 2008).

Why it matters: Most FTs are multi-million pound concerns employing thousands of local people, and are led by experienced professional managers. Whilst it is not expected that governors will have either the time or resources to develop consummate skills and knowledge as professional managers, the effectiveness of governors will be improved by ensuring that collectively governors have a broad range of skills associated with governance, management supervision and representation. It is important that FTs and their governor's focus on developing an appropriate mix of skills and experience, as elections as a process for appointment is likely to be influenced by factors other than the required skills and experience to carry out the role of governor (see interviews in *Chapter 6* and Mills (2007)).

Level	Descriptor
0	<p>Limited awareness and identification of skills and experience</p> <ul style="list-style-type: none"> • Limited appreciation of skills and experience required • Existing skills and experience of governors not known • Little or no training and development provided
1	<p>Skill and expertise requirements and their availability is understood</p> <ul style="list-style-type: none"> • The collective skills and expertise required is acknowledged and been subject to discussion at the council of governors (Interviews) • An inventory of the skills and expertise of individual governors has been collected and recorded (Interviews) • Internal and external training is made available to bridge gaps (Cornforth, 2004) • Access to specialist advice, skills and knowledge required for the governors to perform their roles and responsibilities is available e.g. specialist recruitment advice for non-executive appointments (Monitor, 2006) • Training requirements for governors have been assessed and catered for in all the following areas (HMSO, 2012): <ul style="list-style-type: none"> ◦ complexity of healthcare (Interviews) ◦ services provided by the FT (Interviews) ◦ membership engagement and representation (Interviews) ◦ performance information (Interviews) ◦ statutory duties (Interviews) ◦ holding the board to account (Interviews)
2	<p>Extended use of governor skills and experience</p> <ul style="list-style-type: none"> • Active consideration is given to how the knowledge and experience of operational matters by staff governors can be harnessed (Fauver and Fuerst, 2006) • Active consideration is given to how governor appointments from stakeholder organisations can be used to enhance the skills and knowledge available to governors (Sergeant and Nicholls, 1994) • The council of governors appreciates the importance of using its coalition of skills and knowledge (Pettigrew and McNulty, 1995)
3	<p>Succession Planning</p> <ul style="list-style-type: none"> • Clarity exists as to the gaps or areas that require strengthening in the collective skills and experience of governors (Garratt, 1996 and Interviews) • Appropriate candidates are encouraged to stand for election or appointments (Cornforth, 2004) • Governors have drawn up a profile of skills and experience for the council of governors and in particular those needed by new governors (Peter's Commission, 1997)

D4 Representation Role

D4.1 Constituent Representation (Primary Element)

Governors work as a cohesive group of individuals that represent their constituents, but with a primary concern to further the interests of the FT.

Why it matters: The council of governors is made up of individuals elected or appointed to represent the community, staff and stakeholders. Constituent representation was also identified in the interviews (Chapter 6) as one of the most important roles for governors. As individuals governors need to be able to work together and resolve differences in opinions they bring from their respective constituencies in order to form a collective view that is in the best interests of the FT.

Level	Descriptor
0	<p>Ineffective representation and co-operation</p> <ul style="list-style-type: none"> • Governors pursue personal or constituent agenda to the exclusion of FT interests • Meetings dominated by conflict and argument (Klein, 2003) • Emergence of single interest groups (Guo and Musso, 2007) • Council of governors is too large to be effective or allow everyone to contribute effectively (Fauver and Fuerst, 2006)
1	<p>Governors understand and perform their representation role</p> <ul style="list-style-type: none"> • Governors able to openly express the views of their constituents (Interviews) • Governors understand their role is to act in the best interests of the FT even when this might conflict with their own views, or those of their constituents; similar to a charitable trustee role (HMSO, 2012 and Pitkin, 1972) • Governors have in place mechanisms for obtaining continuous feedback from constituents and consulting them on proposed changes (DH, 2002b)
2	<p>Tension and conflict are managed effectively</p> <ul style="list-style-type: none"> • Expression of differences in opinion is encouraged (Interviews) • Reasons for difference in opinion are debated, understood and taken into account when taking collective decisions (Hopt and Leyens, 2004) • Written processes exist for resolving significant differences in views, which ultimately ensure fairness prevails (Lansley, 1996) • Chairman is skilled at handling conflict and building consensus (Freeman, 1984)
3	<p>Governors understand and use the power of their collective influence</p> <ul style="list-style-type: none"> • Once differences are resolved a unified position is taken by all governors (Lansley, 1996) • The collective skills, experience and networks of individual governors are used to communicate decisions and the process used to reach them (Interviews) • Governors fully support the FT and operate as ambassadors in the community in order to help further the FT's objectives (Lewis and Hinton, 2008 and Interviews)

D4.2 Community Engagement (Enabling Element)

Public governors represent and engage in two way dialogue with the local community ensuring a broad range of views are heard and used by the FT.

Why it matters: Membership involvement in the governance of FTs is deliberately designed to provide a bridge of democratic accountability to the populations they serve. Like all democracies its legitimacy is derived from the formal arrangements that operate the democracy (e.g. elections), by those who are elected mirroring the characteristics of constituents (e.g. demographic profile) and there is direct and unmediated contact with constituents (Guo and Musso, 2007). Governors in practice find this one of the most difficult roles to fulfil (see interviews in *Chapter 6* and Monitor, 2011), unless they already have strong community links.

Level	Descriptor
0	<p>Low levels of community engagement</p> <ul style="list-style-type: none"> • Low numbers of candidates for vacant seats, uncontested elections (Monitor, 2011) • Low or diminishing turnout at elections (Monitor, 2011) • Governors do not reflect the characteristics of those they represent (Monitor, 2011) • Presence of governor cliques or single issue governor representatives (Robinson and Shaw, 2003 and Guo and Musso, 2007) • Limited or tokenistic engagement with local community (Arnstein, 1969)
1	<p>Democratic legitimacy can be demonstrated</p> <ul style="list-style-type: none"> • Demographics of community, membership and public governors regularly compared (Monitor, 2011 and Interviews) • Desired membership and public governor profile understood (Monitor, 2011) • Action plans drawn up to address any imbalance over time as part of a membership strategy (Spear, 2004) • Voting is made easy e.g. in outpatient clinics, by text (Spear, 2004) • Governors are active and have natural links within the communities they represent e.g. membership of other groups and societies (Interviews)
2	<p>Two way engagement with local community</p> <ul style="list-style-type: none"> • Governors regularly provide members with information about the FT and consult them on key issues (Guo and Musso, 2007 and Monitor, 2011) • A broad range of member views are shared with the council of governors (Owen, 2000) • Membership is used to communicate key messages to users of the FTs services (Lansley, 1996)
3	<p>Membership strategy and plan exists for membership involvement and development</p> <ul style="list-style-type: none"> • An active programme of events exists for involving members (Pestoff, 2009) • Membership strategy in place designed to identify the most active members and governors of the future (Pestoff, 2009 and Ham and Hunt, 2008) • Continual drive to increase incidence and types of contact with members (Pestoff, 2009) • Opportunities are provided for members to become actively involved e.g. service redesign groups (Arnstein, 1969)

D4.3 Staff Engagement (Enabling Element)

Staff governors provide two way engagement with staff ensuring commitment to the FTs objectives, and concern for matters of interest to staff members.

Why it matters: Evidence suggests that involvement of staff representatives (other than union representatives) in the governance of an organisation enhances commitment and embeds an unrivalled source of first hand operational knowledge into the governance of the organisation (Fauver and Fuerst, 2006). Governors in practice strongly agree that the involvement of staff in the governance process is important and adds to knowledge and skills base of the council of governors (see interviews in *Chapter 6*).

Level	Descriptor
0	Limited benefit gained from staff involvement <ul style="list-style-type: none"> • Low numbers of candidates for vacant seats, uncontested elections • Low or diminishing turnout at elections • Confusion about how staff governors differ from trade union representatives • Lack of clarity of the benefit staff governors offer for the council of governors and staff • Suspicion of insider motives by other governors
1	Full staff governor involvement <ul style="list-style-type: none"> • Staff governors attend council of governor meetings • Staff governors represented on all sub-committees (Interviews) • Staff governors active in communicating with staff members (Interviews) • Staff views actively sought by and shared with other governors (Hopt and Leyens, 2004) • Staff governors offer a clearly different type of representation from union representation (Fauver and Fuerst, 2006)
2	Effective use of staff governors as an expert resource <ul style="list-style-type: none"> • Views of staff governors actively sought by other governors (Jungmann, 2006) • Regular updates to governors provided by staff governors on staffing issues e.g. morale, staff survey etc ... (Reberieux, 2002)
3	An effective resource for organisational development <ul style="list-style-type: none"> • Council of governors see the involvement of staff governors in the development of the FTs future as important (Blair, 1995) • Staff governors are active in the development of the organisation e.g. co-opted onto to development groups (Interviews)

D4.4 Stakeholders Engagement (Enabling Element)

Governors work to provide two way engagement with stakeholder organisations across organisational boundaries, to achieve shared organisational objectives.

Why it matters: Effective linkages to related organisations provides access and influence over hard (e.g. funding) and soft (e.g. information) resources that help further the objectives of the FT (Barney and Clark, 2007). Governors appointed from stakeholder organisations also have the potential to add to the skills and knowledge of the council of governors and help achieve the FTs objectives (Pfeffer and Salanick, 1978) and effectiveness (Tichy and Devanna, 1986). Governors in practice see stakeholder engagement and developing the role of appointed governors as a significant but under utilised opportunity that can benefits both the FT and its stakeholders (see interviews in *chapter 6*).

Level	Descriptor
0	<p>Limited Understanding or Participation</p> <ul style="list-style-type: none"> • Governors do not understand the role of appointed governors (Interviews and Monitor, 2011) • Appointed governors do not demonstrate a real interest in the FT's objectives and development (Interviews) • Appointed governors do not regularly attend meetings (Interviews)
1	<p>Appointed governors positions are aimed at furthering common objectives:</p> <ul style="list-style-type: none"> • Stakeholder organisations and their appointed representatives are selected with the achievement of common objectives in mind (Freeman, 1984) • Stakeholder arrangements are reviewed at least annually for fitness for purpose (Interviews)
2	<p>Create meaningful linkages with external organisations</p> <ul style="list-style-type: none"> • Account is taken of identified gaps in the council of governor's skills, experience and demographic when identifying appointed governors from stakeholder organisation (Sergent and Nicholls, 1994 and Tichy and Devanna, 1986) • Chairman and lead governor meet with each stakeholder organisation and appointed governor to agree objectives for links and benefits between the FT and stakeholder organisations (Interviews) • Both the FT and stakeholders should benefit from the links developed, which include hard benefits (e.g. access to resources) and soft benefits (e.g. access to skills or expertise) (Barney and Clark, 2007) • Details are shared with all governors and stakeholder organisations in order to raise awareness of the shared objectives and to ensure that there are no perceived conflicts of interest (Interviews)
3	<p>Facilitate wide communication of objectives</p> <ul style="list-style-type: none"> • Awareness sessions are provided to governors about stakeholder organisation objectives by appointed governors (Monitor, 2011) • Stakeholder governors use their linkages to communicate FT objectives to wider audience (Pfeffer and Salanick, 1978) • Networking events take place between governors and stakeholder organisations (Interviews)

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Appendix 3 Protocol

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Towards a framework for enhancing the performance of NHS boards: a synthesis of the evidence about board governance, board effectiveness and board development

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NIHR Portfolio number	SDO 10/1012/03

1. Aims/Objectives

The aims of this proposed literature synthesis are to provide intelligence for enhanced NHS board effectiveness, to understand the strengths, weaknesses and gaps in existing theories about boards and to offer a practical guide for NHS boards for their development. The 4 objectives and research questions in more detail are:

Objective 1: To explore the main strands of the literature (for example in corporate governance, behavioural economics, organisational studies, organisational strategy, organisational psychology, public management, healthcare management) about boards and to identify the main theoretical and conceptual frameworks which relate to the structure, purpose, functions, behaviours and effectiveness of boards

Research question 1: Where are the main disciplinary sources of ideas about boards and what are the principal theories, conceptual frameworks and main paradigms?

Objective 2: To understand to what extent the experiences of NHS boards match these theories and to provide an explanatory framework for understanding the characteristics of effective boards in the NHS

Research question 2: How can theories and evidence about how boards operate in general help NHS boards in their work, in particular in the light of recent and forthcoming changes to the structure and governance arrangements in the NHS?

Objective 3: To assess the empirical evidence about how NHS boards can contribute to organisational performance

Research question 3: What is the empirical evidence (positive and negative) about the impact of NHS boards on performance, including at different stages in the performance cycle?

Objective 4: To map and evaluate different approaches to board development including diagnostic tools, models of assessment and facilitation, and identify how these approaches relate to theories about board effectiveness and to their impact on organisation performance

Research question 4: What are the different approaches to healthcare board development and which are likely to work best in different contexts and types of NHS organisations?

2. Background

Theories about boards

Boards were developed as a result of the industrial revolution, the growing commercial complexity of business and the gradual separation of ownership from control. Boards represented the interests of absent owners or shareholders (the principals), and management became the agents of the board (Pointer, 1999). The earliest theory about boards was thus agency theory which is predicated on the notion that the shareholders' and managers' interests are likely to be different and that the behaviours of both sets of actors are characterised by self-interested opportunism (Berle and Means, 1932). Other theories developed later, and are reviewed extensively by Cornforth (2003). These include managerial hegemony (according to which the managers rather than the owners make the key decisions), stewardship theory (in which managers and owners share a common agenda and work 'side by side') and stakeholder theory, according to which board members represent the different interests of members with a stake in the organisation. Models of board behaviour can be related to these different theories: for example, agency theory, which held sway until recently, is connected to a 'challenge and compliance' set of behaviours, whereas stewardship theory relates to a high trust partnership style of working, and in a stakeholder model, board members tend to be most vocal when articulating the interests of 'their' constituency (ibid). Related to this are theories about the sources and use of board power, including the power of the chief executive (Herman, 1981), the discretionary effort and skill exercised by non executive board members (Pettigrew and McNulty, 1995), the increased role of the board in periods of crisis or transition (Lorsch and MacIver, 1989) which can be followed by 'coasting' according to the stress/inertia theory (Jas and Skelcher, 2005).

What do boards actually do? Both agency theory and stewardship theory, (along with other theories of corporate governance) have been criticised for only illuminating particular aspects of corporate governance and board roles. As a result there have been calls for frameworks that combine the insights of different theories (Tricker, 2000, Cornforth, 2003).

One useful model that helps integrate the insights of these different theories has been put forward by Garratt (1997) drawing on an earlier model by Tricker (1980). Garratt suggests there are two main dimensions of the board's role, what he calls 'conformance' and 'performance'. *Conformance* involves two main functions: *external accountability* including compliance with legal and regulatory requirements and accountability to shareholders or other stakeholders, and *supervision of management* through oversight, monitoring performance and making sure that there are adequate internal controls. This conformance dimension matches quite closely with agency theory perspective on governance. By contrast, the *performance* dimension is about driving the organisation forward to better achieve its mission and goals. This again consists of two main functions, *policy formulation* and *strategic thinking*, to take the organisation forward. The performance dimension is in keeping with stewardship theory of corporate governance. These four main functions of boards are shown diagrammatically in *Figure 1*. This framework suggests that boards need to be concerned with both the conformance and performance dimensions of corporate governance.

What do these theories have to say about the relationship between corporate governance and performance? Agency theory with its emphasis on conformance suggests that the monitoring role of the board, supported by processes such as external audit and reporting requirements, is likely to reduce problems of management pursuing their own interests or performing poorly. The emphasis is on avoiding performance problems stemming from poor management or inappropriate use of managerial discretion. Interestingly much of the recent interest in improving corporate governance in both the private and public sectors has been stimulated by high profile failures and scandals.

In contrast, stewardship theory's emphasis on 'performance' suggests the main role of boards is to improve long-term performance by the board working with management to develop appropriate policies and strategies. Hence, rather than avoiding poor performance or managerial failures the emphasis is on improving future performance.

	Short term focus on 'conformance'	Long term focus on 'performance'
External focus	<p><i>Accountability</i></p> <ul style="list-style-type: none"> Ensuring external accountabilities are met, e.g. to stakeholders, funders, regulators. Meeting audit, inspection and reporting requirements 	<p><i>Policy formulation</i></p> <ul style="list-style-type: none"> Setting and safeguarding the organisation's mission and values Deciding long-term goals Ensuring appropriate policies and systems in place
Internal focus	<p><i>Supervision</i></p> <ul style="list-style-type: none"> Appointing and rewarding senior management Overseeing management performance Monitoring key performance indicators Monitoring key financial and budgetary controls Managing risks 	<p><i>Strategic thinking</i></p> <ul style="list-style-type: none"> Agreeing strategic direction Shaping and agree long-term plans Reviewing and deciding major resource decisions and investments

FIGURE 1 The main functions of boards (adapted from Garratt, 1997:45–7)

Despite their different emphases, both theories assume that non-executive board members are able to exercise influence over senior management, and that it is through this influence on management that they are able to bring about change and influence organisational performance. However, other corporate governance theories, which focus on the relative power of non-executive board members with respect to management, as seen earlier, seriously question whether boards are able to exert significant influence on management.

Evidence about NHS boards and performance

Although there are resonances, the extent to which these generic theories about boards are applicable in the UK healthcare sector is not yet well understood. Equally, although boards in the English NHS are derived in structure and function from the Anglo-Saxon private sector unitary board model which predominates in UK and US business (Ferlie *et al*, 1996, Garratt, 1997), it is not clear whether this structure fits the purpose or how or why it was arrived at. Indeed within the four home countries of the UK itself, with the advent of devolution, there have been deepening policy differences (for example in the role of the market) which have been accompanied by an increasing divergence in governance arrangements. The Welsh board model is stakeholder-based with up to 25 members on each board, resembling the English NHS pre-1990. Scotland has an integrated health model and a unified board structure with strong local authority representation and is experimenting with democratic elections on to boards. Carver however postulates that key governance principles can work with whatever structural arrangements have come about as a result of a board's composition, history, and particular circumstances (Carver, 2001) but the extent to which different governance arrangements are associated with organisation performance in the healthcare sector has not been extensively mapped although the importance of local context has been noted (Eeckloo *et al*, 2007) and useful work has been carried out at the system level (Davies, 2005).

In a recent literature review on board effectiveness for the NHS Institute, Selim and colleagues concluded that there was no one best way to achieve an effective board, as general principles had to be applied to the circumstances, strategic focus and stage of development of the particular organisation. A series of general principles did emerge from this review, including a focus on the 'right' structure, people, culture, tasks, information, processes and follow-through, but the case for the extent to which these are applicable to the NHS was not made (Selim *et al*, 2009).

The evidence about relationships between organisational cultures and performance in the NHS is emerging: it is becoming clearer that culture does matter and that certain cultural characteristics are associated with better performance in some domains (Mannion, 2010). There are some clues from a selective literature review about what boards in the wider UK public sector might do well to pay attention to (Chambers and Cornforth, 2010). There is, for example, evidence that smaller boards with well functioning sub committees are associated with better performance. A board focus on the three areas of strategy, use of resources and talent management appears important. Board dynamics is emerging as a significant element, with a triadic proposition of working relationships which combine the three elements of (1) high trust between board colleagues, (2) high challenge by non-executives to executive proposals, and (3) high levels of engagement in and out of board meetings (ibid). The energy and expertise of non executive directors is argued to be important in partnering with managers to shape strategy and in tracking performance (ibid). Although prescribed as important, there is little evidence however to link positive chair and chief executive relationships (the '2 at the top') with board or organisational performance (Office for Public Management, 2009) although some (weak) evidence from within the NHS (Exworthy and Robinson, 2001) as well as outside (Kakabadse, 2006) indicating that poor relationships between these two can negatively affect board and organisational performance. A recently published report on new governance arrangements in the NHS (Storey *et al*, 2010) suggests that aspects of organisation performance, particularly the use of resources, might be associated with some aspects of board working, in particular the contribution of clinicians, the presence of highly influential non executive directors and chief executives who exert moderate to high control but do not behave autocratically. The impact of board members on the quality of services is more difficult to detect (ibid).

There is increasing evidence available about the conditions under which NHS boards preside over organisation failures. Inquiries and reviews have repeatedly pointed to a lack of challenge by the board at critical junctures. In the case of the financial meltdown at North Bristol NHS Trust in 2003, Deloitte and Touche reflect on relationship difficulties at board level and a failure to probe the financial situation and to put in place risk management processes (Avon, Gloucestershire and Wiltshire SHA, 2003). The Francis Report (2010) into the failings at mid Staffordshire NHS Foundation Trust found that the board lacked focus on the job of a hospital, had poor insight and a confused system of governance.

There is indeed no shortage of steer for NHS boards. A recent study of the chair/chief executive relationship, which confirms and updates findings from earlier work on 'two at the top' (Exworthy and Robinson, 2001) summarised the literature in general as being dominated by prescription rather than insight (OPM, 2009). The NHS Confederation has identified four key characteristics of effective boards: a focus on strategic decision-making, trust and corporate working, constructive challenge and effective chairs. In their examination of boards at work, however, the authors found that 'the daily grind' often obscured strategic decision-making and, whilst there was often a good deal of trust between board members, there was too little constructive challenge, and therefore some missed opportunities (NHS Confederation, 2005). NHS boards are expected to operate along all four of Garratt's quadrants from developing a clear vision, to clarifying strategic direction, and also to monitoring performance and accounting to local communities and to government (1997). The key challenges for NHS boards can therefore be segmented into these four quadrants and guidance reinforces this. The Healthy NHS Board (2010) published by the National Leadership Council for example focuses on three main roles of the board: formulating strategy, shaping culture and ensuring accountability with the three building blocks of context, intelligence and engagement. It also emphasizes health system governance across organizations (ibid). Over recent years there has been a particular focus on the role of the non executive director. The Higgs report (2003) into this role within the UK commercial sector called for greater clarity around responsibilities, induction, development and performance and a recent study has pointed to an association between non executive director involvement and organisation performance (Storey, 2010).

Board development

Cornforth suggests that reflexivity compensates for the impossibility of achieving an 'ideal' board structure or generic 'rules' for board effectiveness, and defines reflexivity as the process of achieving a better understanding of behaviours, roles, teamworking and impact of the board (Cornforth, 2003). West proposes

that reflexivity provides the space to promote team health, creativity and robust challenge to the existing ways of doing things that is essential for innovation (West, 1997). Boards sometimes seek external support to help them in this task and may also embark on a wide-ranging organisation development programme of which development of the board is only a part.

Patching offers a 2 by 2 grid to understand the range of different interventions for effective organisation development (Patching, 1999). His argument is that the choice of interventions should depend on what the organisation's main concerns are around organisation development (OD). One half of the grid comprises achieving success through alignment (divided into OD activities for enhancing *specific* and *generic capabilities*, for example by implementing an agreed organisation-specific strategy, or embedding industry-wide best practice). The other half of the grid comprises success through change (divided into OD activities which are *transformational* and *exploratory*, for example developing a new vision or testing new ideas and challenging the status quo).

Cockman, meanwhile, describes 4 distinct consulting styles or facilitator modes (Cockman, 1999). The acceptant mode involves listening actively, encouraging 'story telling' and is particularly helpful in revealing the impact of emotions in shaping organisational life. The catalytic mode comprises collecting, shaping and rearranging information, for example through forcefield analysis, multi-voting, flowcharts, staff/customer interviews and surveys and is essential in helping the client to take decisions and move forward. In the confrontational mode the consultant highlights discrepancies for example in behaviours, decisions, espoused values and offers both challenge and support. Finally, the prescriptive mode involves the provision of expert advice and depends on the consultant's technical or content expertise in the client's area, for example his/her knowledge of comparable organisations.

Using Patching and Cockman's frameworks together with Garrett's board tasks model (see *Fig 1* above) it is possible to construct a framework for board development which has a degree of relevance for all boards and in different kinds of health systems. An exploratory study to determine the utility of this for NHS boards revealed that, with refinements related to levels of maturity, espousal and practice of values and intelligent commissioning of facilitation, the model had both resonance and relevance (Chambers and Higgins, 2005).

Since then, there has been much board development activity, some of it led by the NHS Institute for Innovation and Improvement, and some by management consultancies, but no research into the scope and effectiveness of different tools for board diagnostics, assessment and development. Outside the NHS, some studies of board development support the contention that board development is worthwhile. Brown (2007) for example, in a large study of credit unions, found that board development practices do lead to more capable board members and the presence of these board members tends to explain board performance. Holland and Jackson (1998) in a smaller matched comparison study in the non profit sector found that board development was associated with significant improvements in board performance in the experimental group in comparison with the control group. An attempt to uncover what works in board development would therefore appear to be worthwhile.

3. Need

There is a need for reducing the variation in organisation performance across the NHS (for example, as measured by the quality and safety of care provided and efficiency and productivity) for which boards hold ultimate responsibility. By exploring how effective boards can add value here, this research will benefit patients and improve service efficiency. In the wake of the publication of the Francis Report (2010) into the failings at Mid Staffordshire NHS Foundation Trust, the chief executive of the NHS has emphasised the role of boards as guardians of patient safety. The NHS Confederation, which represents the NHS board member community, has expressed the need for more detailed analysis of the complex issues around the cultures and characteristics of boards (NHS Confederation, 2005).

Interest in how boards can control and influence organisations as complex as those that make up the NHS is likely to continue and indeed to be increased, particularly in the light of recent failings in patient safety and in view of the quality, innovation, productivity and performance (QUIPP) agenda, and as the scale of efficiencies required begins to bite.

With the advent of sweeping NHS reforms in the years up to 2012, David Nicholson has also reiterated the contribution of boards to provide the necessary challenge and support. The findings of this evidence synthesis will also be highly relevant as GP commissioning consortia begin to determine their own governance arrangements. The findings will also be timely as discussions and decisions about different forms of integrated boards take place, for example with regard to the proposed local health and well being boards and the strengthening of the 'local democratic legitimacy' of the NHS as envisaged by the White Paper, *Equity and Excellence: Liberating the NHS* (Department of Health, 2010).

Findings from this study will affect healthcare management practice through highlighting the contributions that boards can make. The study will use and build on a developing body of knowledge in relation to healthcare governance, organisational culture and performance which have been subjects of other funded SDO studies (for example, Sheaff, 2004, Davies, 2005, Mannion, 2010).

4. Methods

The study is an evidence synthesis of a diffuse literature in relation to boards and organisation performance with particular reference to healthcare boards and with special emphasis on the NHS. A literature review commissioned for the NHS Institute on board effectiveness concluded that '... there is no agreement among researchers on the best framework for identifying, measuring and discussing characteristics of effective boards ... There has been a lack of clear definition of concepts and a reliance on incomplete research models. This means that there is little convergence on terminology, definitions and findings' (Selim *et al*, 2009:5). The terrain is characterised by some complexity in terms of the multiple locations of the evidence across different disciplinary traditions, by weakness and ambiguity in terms of association and causation (and direction of causation) and by the influence of contextual factors on board characteristics, performance and effectiveness. Given this complexity, a conventional systematic review, with its emphasis on a hierarchy of evidence and randomised controlled trials as the research design of choice to address questions of effectiveness, would not be appropriate. Indeed, a traditional systematic literature review would almost certainly be unable to take account of the multiple and inter-connected variables that influence boards and their performance.

A realist angle on the other hand emphasises the contingent nature of the evidence and addresses questions about what works in which settings, for whom, in what circumstances and why (Pawson *et al*, 2005). Given that boardroom practices have been described as a 'black box' (Selim *et al*, 2009), this seems a sensible approach to take: the study will aim to open that 'black box'. A realist synthesis also emphasises an iterative approach between programme theory and predicted theory (*ibid*) and we therefore propose this for our over-arching research design.

Realist synthesis belongs to the family of theory driven review. It starts with knowledge and theory and ends with more refined knowledge and theory, along the way 'stalking and sifting' ideas and empirical evidence (Pawson *et al*, 2005). In our case, the synthesis will address questions in particular about how boards operate, in what circumstances, and why, the influence that boards have on organisational performance, and the effectiveness of tools and techniques for board development. The focus is therefore very much on mechanisms rather than on boards *per se*. Realist review learns from, rather than controls for, real world phenomena, thereby providing an acknowledgement, for our study, that no two boards are the same in human composition, context or stage of development. The limitation of realist synthesis is that it is a method which is still in development with a relatively small number of studies under its belt (Pawson 2006). However, from the reviews and literature published to date, it is an approach that appears to address the limitations of more traditional systematic review methods when dealing with complex social interventions across different

circumstances, and using a range of mechanisms and with varying underlying beliefs and assumptions (Greenhalgh *et al*, 2007). Its focus is on offering explanations rather than judgements, and developing principles and guidance rather than making rules. For the purposes of this review, we believe this is a more appropriate course of action to take – it will offer insights for practitioners to take note of and make use of and will offer a valuable addition to the armamentarium currently available to members of NHS boards.

In considering alternative approaches, we are mindful of an analysis of alternative approaches to systematic review (see *Table 1* below) which underlines that only realist synthesis meets the criteria for focusing on mechanisms rather than whole programmes. In our case, this will allow us to look at discrete aspects of boards (composition, methods of working, governance arrangements and so on) rather than having to consider 'the board' as the overall unit of analysis.

An example of the successful use of a realist synthesis was in relation to the public disclosure of healthcare information about performance. One of the outputs of this research was a theory map which exposed differences between programme theories and theories in use, which is a key aim of this proposed study: the illumination of differences between how boards 'ought' to be working and current board practices. One of the members of this research team (GH) contributed to that work and also to the authorship of a seminal article on the topic (Pawson *et al*, 2005). To illustrate how theory mapping would work in this study, there is some evidence (and exhortation in current guidance) for a triadic proposition (a programme theory) that a combined culture of high trust, high challenge and high engagement by non executive directors on boards is associated with better organisation performance (Chambers and Cornforth, 2010). There is also evidence of some of the consequences of a distortion of these behaviours (Selim, 2009). *Figure 2* below provides an example of the potential development and refinement of a theory map in relation to this:

One of the principles of realist synthesis is the importance of sense making. The meta-narrative mapping approach to synthesising evidence is attractive because it acknowledges different disciplinary traditions and changes to dominant narratives over time (Greenhalgh, 2004). This approach was deployed to illuminate changing paradigms across different disciplines in understanding about the diffusion of innovations (*ibid*). Board governance is also a good example of where the dominant narrative has changed, with a shift away from the discourse of agency theory within the political science discipline to a more hybridised one in which, *inter alia*, board dynamics within the organisational behaviour discipline is now playing a significant contribution. We therefore propose using a meta-narrative mapping exercise within a realist framework specifically to address our first research question which is to identify and explain the rise and fall of dominant theories about the role and functioning of boards.

A key test for SDO funded studies is that the research questions and subsequent research findings are relevant and usable for the target audience who are responsible for the organisation and delivery of healthcare. In accordance also with realist review principles, we would therefore suggest that the research

TABLE 1 Summary of alternative approaches to systematic review

Approach	Unit of analysis	Focus of observation	End product	Application
Meta-analysis	Programme	Effect sizes	Relative power of like programmes	Whole-programme application
Narrative review	Programme	Holistic comparisons	Recipes for successful programmes	Whole or majority replication
Realist synthesis	Mechanisms	Mixed fortunes of programmes in different settings	Theory to determine best application	Mindful employment of appropriate mechanisms

From: Popay J *ed* (2006) *Moving beyond effectiveness in evidence synthesis: methodological issues in the synthesis of diverse sources of evidence*. NICE, London p89.

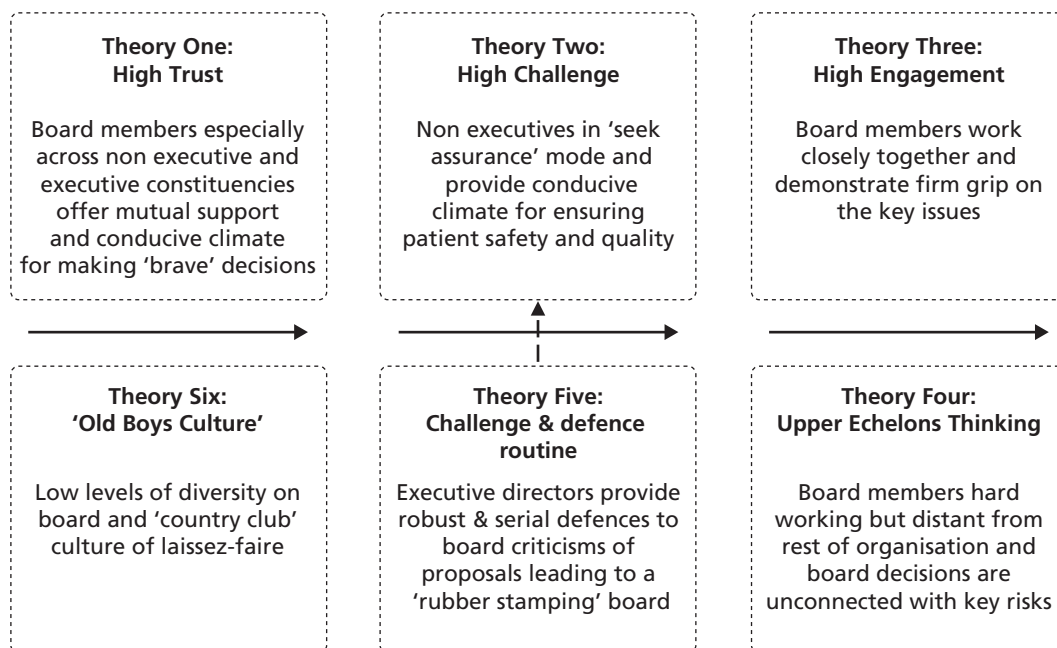


FIGURE 2 An initial 'theory map' of board dynamics.

questions are provisional, as we would plan to hone and refine these with a joint expert advisory and stakeholder group formed of researchers active in the relevant discipline areas, together with the target audience of board members and managers. We would plan to convene this group once on a face-to-face basis in Manchester and to run a facilitated workshop early on in the study to elicit programme theories about board structures, processes, dynamics, development and impact on organisation performance and to guide the development of the research questions. Contact would be maintained electronically during the study with members of the stakeholder group and in particular the provisional findings would be checked out with them. This embeds the 'linkage' between practitioners and researcher communities which is advocated as a key characteristic of realist synthesis and helps to move findings from research into practice (Lomas, 2000). We would like to emphasise that the interaction with NHS board members and others in the advisory group is part of the synthesis process and in order to improve the process of sense-making and interpretation of the literature that we are reviewing and will not involve any empirical data collection.

We would anticipate that, in addition to the academics, stakeholder group members would include at least one 'ordinary' non executive director and one Foundation Trust governor, one board chair, one chief executive, one executive director, one opinion leader with a national-level interest and role in board development, a contact each from the NHS Confederation, Monitor, the Foundation Trust Network, the NHS Appointments Commission and from the board development team at the NHS Institute for Innovation and Improvement.

In terms of the detailed plan, it is summarised in *Table 2*, with more detail about the search strategy provided in *Table 3* as this lies at the heart of the study. It is important to note that the four objectives with their associated research questions are closely inter-related. For example arriving at an understanding about different approaches to board development (the final objective) will be founded on literature on theories about boards, their application in NHS contexts, and evidence about how boards affect organisation performance. Equally, although *Table 2* suggests a sequential set of phases, in realist review, there is an iteration between the phases, so for example it is likely that theories about boards and explanations about the characteristics of effective boards in NHS contexts will be shaped and reshaped throughout the course of the study.

It is important to cover the territory comprehensively. This involves examination of board theory and practices in the corporate and non profit as well as government sectors, and across academic disciplines (for example corporate governance, public management, leadership, institutional economics) using expected search terms such as 'board governance' and 'board development' but also 'organisation strategy' and 'organisation performance' as well as snowballing techniques. Databases that will be searched include ABI-Inform, Business Source Premier, Medline, Embase and HMIC. In addition to building on previous relevant SDO studies (for example, Sheaff, 2004, Davies, 2005, Mannion, 2010), we understand that a research proposal (principal investigator: Russell Mannion) on the effective board governance of safe care: an investigation into the relationship between Trust Board practice and patient safety in NHS Hospital Trusts has been recommended for funding subject to satisfactory responses to comments (NIHR SDO Call 10/1007 – Patient Safety in Healthcare Organisations) and we will ensure that there are synergies between the two studies with the sharing of papers and so on.

In relation to managing the potential volume of papers, from diverse sources, the purposive sampling strategy will set strict boundaries in relation to relevance, allowing for iteration. Data extraction, and inclusion/exclusion is less linear than in traditional systematic reviews and decisions here will call for pre-existing knowledge of the subject area and the exercise of judgement on what to include/exclude from the review (drawing on advice from the research team and stakeholder group as required).

TABLE 2 Plan of investigation in accordance with realist synthesis and meta-narrative mapping

Phase	Actions
Define the scope of the review	<ul style="list-style-type: none"> • Explore literature across different disciplines and clarify questions with stakeholder/advisory group
RQ1 Theories about boards	<ul style="list-style-type: none"> • Find and articulate the programme theories
RQ2 Experiences of NHS boards	<ul style="list-style-type: none"> • Select landmark studies
RQ3 Impact of boards on performance	<ul style="list-style-type: none"> • Identify main research traditions associated with board governance
RQ4 Board development	<ul style="list-style-type: none"> • Develop theory maps
Search for, extract and appraise the evidence (see also <i>Table 3</i> below)	<ul style="list-style-type: none"> • Decide purposive sampling strategy • Define search sources, terms and methods • Develop data extraction forms • Set thresholds for relevance and saturation • Test for relevance and rigour
Synthesise findings	<ul style="list-style-type: none"> • Compare and contrast findings from different studies • Seek confirmatory and contradictory findings • Final search in light of emerging findings • Refine theory maps and programme theories in the light of evidence
Draw conclusions and make recommendations in relation to the original objectives of the study	<ul style="list-style-type: none"> • Consult stakeholder group members in a review of findings • Further refinement of findings • Disseminate review conclusions couched in theoretical terms and also in the form of a practical guide for NHS boards
Obj 1 Explanation of theoretical and conceptual frameworks about boards	
Obj 2 Application of frameworks to understand characteristics of effective boards in NHS contexts	
Obj 3 Assessment of the evidence of how boards affect organisation performance	
Obj 4 Evaluation of approaches to board assessment and development	

TABLE 3 Search and extraction strategy

Decide purposive sampling strategy	<ul style="list-style-type: none"> • Scope the range of material to be retrieved to test particular theories and to answer specific questions • Repeat as necessary as theoretical understanding develops
Define search sources, terms and methods	<ul style="list-style-type: none"> • Sources to include 'grey' literature as well as research literature • Terms to be decided which will elicit theory and evidence and answer questions important to stakeholders • Methods will include data base searching, snowballing, citation tracking, hand searching • 'key word' searching of databases including ABI-Inform, Business Source Premier, Medline, Embase, HMIC
Develop data extraction forms	<ul style="list-style-type: none"> • Title of paper • Name of reviewer • Paradigm (theoretical lens e.g. classical economic theory) • Type of paper (ie research design) • Mechanisms as units of analysis: Eg board composition, methods of working, dynamics, board assessments, board assessments, board development • Findings • Importance for our research question • Methodological strength of paper in its domain
Test for relevance and rigour	<ul style="list-style-type: none"> • Does the paper make an original and scholarly contribution to research? • Is the paper about the topic under scrutiny? • Does it add value for NHS board members?
Set thresholds for saturation	<ul style="list-style-type: none"> • Check whether additional searching will add new knowledge (within limits of available time and resources)

5. Contribution to collective research effort and research utilisation

The first knowledge product will be the main evidence synthesis report for NIHR SDO which will provide intelligence for enhanced NHS board effectiveness, founded on an analysis of the strengths, weaknesses and gaps in existing theories about boards, and on insights into the particular contexts, mechanisms and outcomes that can be identified in relation to the potential for high performing boards in the NHS. The second main knowledge product will be a practical guide for NHS boards for their development. The third will be a seminar in London arranged by the applicant researchers for members of NHS boards to present, discuss, debate and disseminate the findings and to promote the distribution and use of the guide. This seminar will provide an opportunity for participants to relate the study findings to their own circumstances and contexts. A further knowledge product will be presentation at two conferences (one academic and one practitioner) for wider dissemination of the theoretical and practical findings of the study. It is suggested that the suitable practitioner conference would be the NHS Confederation as that is the prime conference for NHS board members (CEOs, chairs, executive and non-executive directors). It is suggested that the suitable academic conference would be at the European Health Management Association, which provides a 'meeting point' for researchers, teachers, managers and policy makers with an interest in healthcare. It is also anticipated that the outcomes of the study will be submitted for publication in at least one high ranked peer reviewed academic journal (for example the *British Journal of Management*) as well as in a practitioner journal (for example the *Health Service Journal*).

6. Plan of Investigation

The monthly project timetable is provided in *Table 4* below.

TABLE 4 Outline project timetable

Activity	Months												
	Month One=July 2011												
	7/11	8/11	9/11	10/11	11/11	12/11	01/12	02/12	03/12	04/12	05/12	06/12	07/12
Delineate and reconfirm scope of the review	X	X							X	X			
Contact stakeholder/advisory group	X							X	X				
Convene stakeholder/advisory group workshop				X									
Exploratory trawl of literatures	X	X	X										
Search, extract and appraise evidence (purposive sampling)			X	X	X	X	X	X	X				
Synthesise findings					X	X	X	X					
Draw conclusions									X				
Make recommendations including a practical guide										X	X	X	
Progress report to SDO							X						
Dissemination seminar												X	
Final report to SDO													X

7. Service users/public involvement

As this is an evidence synthesis, the requirement for public involvement is not as central as it would be for an empirical study. Given the realist synthesis that we have chosen however we have emphasised the need for linkage with practitioners as well as with researchers acting as critical friends. The plan is therefore for the expert advisory and stakeholder group to include individuals from the 'ordinary' non executive community.

We would plan to convene this group once on a face-to-face basis in Manchester and to run a facilitated workshop early on in the study to elicit programme theories about board structures, processes, dynamics, development and impact on organisation performance and to guide the development of the research questions. Contact would be maintained electronically during the study with members of the stakeholder group and in particular the provisional findings would be checked out with them. This embeds the 'linkage' between practitioners and researcher communities which is advocated as a key characteristic of realist synthesis and helps to move findings from research into practice (Lomas, 2000). We would like to emphasise that the interaction with NHS board members and others in the advisory group is part of the synthesis process and in order to improve the process of sense-making and interpretation of the literature that we are reviewing and will not involve any empirical data collection

We would anticipate that, in addition to the academics, stakeholder group members would include at least one 'ordinary' non executive director and one Foundation Trust governor, one board chair, one chief executive, one executive director, one opinion leader with a national-level interest and role in board development, a contact each from the NHS Confederation, Monitor, the Foundation Trust Network, the NHS Appointments Commission and from the board development team at the NHS Institute for Innovation and Improvement.

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A decorative graphic consisting of numerous thin, parallel green lines that curve from the left side of the page towards the right, creating a sense of movement and depth.

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