

Unlocking the human and social capital of individual board directors

A qualitative study of the individual board director's contribution as
a resource provider within unlisted SMEs

ABSTRACT: *The role of the board is becoming increasingly important for the success and development of the firm. Yet, how individual board directors contribute remains unclear. This study will therefore focus on how individual directors draw on their human and social capital as resource providers to support the development of small and medium-sized enterprises (SMEs). An interview study was conducted with 22 experienced board directors in Sweden to identify, on a detailed level, what dimensions of human and social capital that are perceived as particularly important to be able to contribute to the board work. The findings from the study imply that the directors exhibit their role as resource providers around 15 dimensions related to six categories including education, work experience, skills, characteristics, bridging and bonding. The results enhance the knowledge about human and social capital dimensions, and primarily with respect to how they are manifested in the boardroom. It further enables the possibility to review them from a detailed and practical perspective, which goes beyond the existing rough measures provided by previous literature.*

KEYWORDS: *Human capital, social capital, board of directors, SMEs*

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Date of submission

May 18, 2015

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ACKNOWLEDGEMENTS

Writing this thesis has been an invaluable journey filled with exciting meetings, challenges and great learning experiences. We are proud to present the final result, yet would not have been able to accomplish this without a number of people who have supported us greatly in the development of our thesis and we would like to extend our greatest gratitude towards them.

First and foremost, we want to acknowledge Per-Ola Karlsson for helping us to get in contact with board directors of various firms in Sweden and express a big gratitude to all directors who were willing to share their experience and knowledge with us. We are forever grateful for your time and contributions.

We would also like to thank our supervisor Ingela Sölvell for her invaluable support, plentiful constructive feedback throughout the entire process as well as her guidance to navigate through the academic world.

Last but not least, a big thank you to family and friends for putting up with us during many sleepless nights and geeky conversations. Your support and love have given us the energy required to finalise our thesis.



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TABLE OF CONTENTS

| | | |
|------------|---|-----------|
| 1 | INTRODUCTION | 1 |
| 1.1 | THE INDIVIDUAL DIRECTOR AND HER HUMAN AND SOCIAL CAPITAL | 1 |
| 1.2 | THE BOARD CONTEXT IN UNLISTED SMES | 2 |
| 1.3 | RESEARCH PURPOSE | 3 |
| 1.4 | RESEARCH QUESTION | 4 |
| 1.5 | DISPOSITION | 4 |
| 2 | LITERATURE REVIEW | 6 |
| 2.1 | UNLOCKING THE INDIVIDUAL BOARD DIRECTOR..... | 6 |
| 2.1.1 | THE INDIVIDUAL DIRECTOR AS A RESEARCH OBJECT | 6 |
| 2.1.2 | THE NEED FOR ACTIVE BOARDS AND NON-EXECUTIVE DIRECTORS | 7 |
| 2.1.3 | THE FUNCTION OF THE BOARD OF DIRECTOR | 8 |
| 2.1.4 | THE INDIVIDUAL DIRECTOR'S SKILLS..... | 8 |
| 2.2 | HUMAN AND SOCIAL CAPITAL..... | 9 |
| 2.2.1 | HUMAN CAPITAL..... | 9 |
| 2.2.2 | SOCIAL CAPITAL..... | 10 |
| 2.2.3 | HUMAN AND SOCIAL CAPITAL IN THE CONTEXT OF THE BOARD | 11 |
| 2.3 | SUMMARY OF RESEARCH NEED | 13 |
| 2.4 | THEORETICAL FRAMEWORK..... | 13 |
| 3 | METHODOLOGY | 16 |
| 3.1 | RESEARCH METHOD | 16 |
| 3.1.1 | QUALITATIVE STUDY..... | 16 |
| 3.1.2 | RESEARCH APPROACH | 17 |
| 3.2 | DATA COLLECTION | 17 |
| 3.2.1 | SEMI-STRUCTURED INTERVIEWS..... | 17 |
| 3.2.2 | PILOT INTERVIEW | 17 |
| 3.2.3 | INTERVIEW GUIDE..... | 18 |
| 3.2.4 | PARTICIPANT SAMPLING | 19 |
| 3.2.5 | INTERVIEW SETTING..... | 19 |
| 3.3 | DATA DOCUMENTATION | 20 |
| 3.4 | DATA ANALYSIS | 20 |
| 3.5 | QUALITY CONSIDERATION | 22 |
| 3.5.1 | RELIABILITY | 22 |
| 3.5.2 | VALIDITY..... | 23 |

| | | |
|------------|--|-----------|
| 4 | EMPIRICAL RESULTS | 24 |
| 4.1 | HUMAN CAPITAL | 24 |
| 4.1.1 | EDUCATION | 24 |
| 4.1.2 | WORK EXPERIENCE..... | 25 |
| 4.1.3 | SKILLS..... | 28 |
| 4.1.4 | CHARACTERISTICS..... | 29 |
| 4.2 | SOCIAL CAPITAL | 30 |
| 4.2.1 | BRIDGING..... | 30 |
| 4.2.2 | BONDING..... | 32 |
| 5 | ANALYSIS..... | 33 |
| 5.1 | ANALYSIS OF HUMAN CAPITAL..... | 33 |
| 5.1.1 | EDUCATION | 33 |
| 5.1.2 | WORK EXPERIENCE..... | 34 |
| 5.1.3 | SKILLS..... | 36 |
| 5.1.4 | CHARACTERISTICS..... | 37 |
| 5.2 | ANALYSIS OF SOCIAL CAPITAL | 38 |
| 5.2.1 | BRIDGING..... | 38 |
| 5.2.2 | BONDING..... | 40 |
| 5.3 | SUMMARY OF ANALYSIS | 40 |
| 5.3.1 | COMPLETION OF THEORETICAL FRAMEWORK | 41 |
| 5.3.2 | ELABORATION OF FINDINGS | 42 |
| 6 | CONCLUDING REMARKS..... | 44 |
| 6.1 | ADDRESSING THE RESEARCH QUESTION | 44 |
| 6.2 | THEORETICAL CONTRIBUTION | 45 |
| 6.3 | PRACTICAL CONTRIBUTION | 45 |
| 6.4 | LIMITATIONS..... | 46 |
| 6.5 | AVENUES FOR FUTURE RESEARCH | 46 |
| 7 | BIBLIOGRAPHY | 48 |
| | APPENDIX 1 – INTERVIEW GUIDE | 55 |
| | APPENDIX 2 – PRESENTATION OF INTERVIEW SAMPLE..... | 57 |
| | APPENDIX 3 – PRESENTATION OF INTERVIEW SETTING..... | 58 |
| | APPENDIX 4 – DESCRIPTION OF CODES | 59 |
| | APPENDIX 5 – ANALYSIS OF EMPIRICAL RESULTS..... | 60 |

LIST OF FIGURES

| | |
|--|----|
| FIGURE 1: RESEARCH PURPOSE | 3 |
| FIGURE 2: THESIS DISPOSITION (BASED ON SWALE, 1990)..... | 5 |
| FIGURE 3: THEORETICAL FRAMEWORK | 14 |
| FIGURE 4: DATA ANALYSIS PROCESS..... | 21 |
| FIGURE 5: EXAMPLE OF DATA ANALYSIS PROCESS | 22 |
| FIGURE 6: COMPLETION OF THEORETICAL FRAMEWORK | 41 |

LIST OF TABLES

| | |
|---|----|
| TABLE 1: CODES RELATED TO EDUCATION | 24 |
| TABLE 2: CODES RELATED TO WORK EXPERIENCE | 25 |
| TABLE 3: CODES RELATED TO SKILLS | 28 |
| TABLE 4: CODES RELATED TO CHARACTERISTICS | 29 |
| TABLE 5: CODES RELATED TO BRIDGING | 30 |
| TABLE 6: CODES RELATED TO BONDING | 32 |
| TABLE 7: IDENTIFIED SUB-CATEGORIES WITHIN THE CATEGORY EDUCATION | 33 |
| TABLE 8: IDENTIFIED SUB-CATEGORIES WITHIN THE CATEGORY WORK EXPERIENCE | 34 |
| TABLE 9: IDENTIFIED SUB-CATEGORIES WITHIN THE CATEGORY SKILLS | 36 |
| TABLE 10: IDENTIFIED SUB-CATEGORIES WITHIN THE CATEGORY CHARACTERISTICS | 37 |
| TABLE 11: IDENTIFIED SUB-CATEGORIES WITHIN THE CATEGORY BRIDGING | 39 |
| TABLE 12: IDENTIFIED SUB-CATEGORIES WITHIN THE CATEGORY BONDING | 40 |

KEY CONCEPTS

| | |
|--------------------------|---|
| <i>SMEs</i> | SMEs have in this study been defined according to the European Commission (EC) and consist of companies that have between 10-250 employees and a turnover of 2-50 million euros (http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm) |
| <i>Human capital</i> | The experiences derived from education, professions, skills (e.g. Sturman, et al., 2008) and personal characteristics (Lepak, et al., 2006) |
| <i>Social capital</i> | The resources accessible through the network of social relationships possessed by an individual (Hillman & Dalziel, 2003) |
| <i>Resource provider</i> | The role of directors as resource providers can be described to include two parts: 1) The resources and knowledge derived from their own human capital. 2) Their ability to reach for external supplementary resources through their social capital (Hillman & Dalziel, 2003) |

1 INTRODUCTION

A seat on the board has developed from a fairly painless role behind closed doors to a highly visible, important and demanding position¹. This change is a result of the volatile economy and the ever-increasing competition that characterises the business environment today as well as the many corporate governance failures that took place in numerous companies over the last decade. The board is nowadays of greater importance to ensure that the firm is well-governed and has the right strategic direction (Favaro, et al., 2010), not least in small and medium-sized enterprises (SMEs) where the board is instrumental in their development. As a consequence, this has focused the attention on the board's actions and performance as a collective entity and has also changed the expectations on, and requirements of, individual directors (Johnson, et al., 2013; Pye & Pettigrew, 2005). Additionally, new regulations regarding individual board director's responsibility has been implemented in Sweden, which further increases the focus on the individual board director and her contribution².

The increased importance of the individual director in today's business environment is also reflected in the body of literature regarding boards, where scholars recently have devoted considerable attention towards the individual board director (Johnson, et al., 2013; Pye & Pettigrew, 2005; Huse, 2011). Kor & Sundaramurthy (2009) further highlight that it has never been more urgent than now to explore how directors can contribute to the company. Despite attempts to create a better understanding of the individual board director and her contribution, research is still in its nascent stage and does not yet provide clear answers to the basic question of what characterises the best directors (Johnson, et al., 2013). Neither does the research provide an answer to how a director can best contribute to a firm's development (Huse, 2011).

1.1 THE INDIVIDUAL DIRECTOR AND HER HUMAN AND SOCIAL CAPITAL

Scholars are increasingly taking the concepts of human and social capital as a starting point to better understand the individual director's contribution to board work (Johnson, et al., 2013). This is seen as a useful approach as it both captures several characteristics of board directors and their ability to contribute in their role. While progress has been made, the findings within this area are still lacking a systematic classification of directors' human and social capital and the literature is far from definite (Johnson, et al., 2013; Tian, et al., 2011; Hillman & Dalziel, 2003). Yet, it is well-established that human and social capital are essential in providing supplementary resources to the firm and in ensuring the individual board director is well-equipped to execute her role.

Existing research suggests that a distinction should be made between the board as a collective group and the individual director (Johnson, et al., 2013; Pye & Pettigrew, 2005). This distinction is

¹ <http://www.pwc.com/us/en/corporate-governance/publications/board-effectiveness.jhtml>

² <http://www.styrelseakademien.se/web/page.aspx?refid=150>

necessary to better understand the board's function in relation to the individual director's contribution (Petrovic, 2008). Most research is performed on the board level, building on demographic or other accessible data at the individual director level and then aggregated to the level of the full board. While this approach is common, some studies suggest that it may overlook important data (Johnson, et al., 2013).

This study will therefore focus on how the individual director leverages her human and social capital, as this is an area where in-depth understanding is required (Hillman & Dalziel, 2003). As such, we will build on the individual directors' own perception of their contribution, since they are in the best position to understand and describe how they have leveraged their own human and social capital to contribute with resources to the firm.

1.2 THE BOARD CONTEXT IN UNLISTED SMEs

Not only is it interesting to make a distinction between the board as a collective group and the individual when studying human and social capital. Further distinctions can be made with regards to the type of company. Unlisted companies generally have boards that are more involved in the overall business development of the firm and less focused on matters of control and compliance (Long, et al., 2005). Similar reasoning applies to small and large firms, where the former are assumed to have boards that are more involved in the operations and the actual development of the firm (Gabrielsson & Huse, 2005). Boards in unlisted SMEs are instrumental in decision-making and flexible in their way of working, whereby the board directors will have a greater influence and be able to leverage their human and social capital to a larger extent in these firms.

This could further be understood by studying the individual director in the light of the function or role of the board, where previous research mainly has separated between two functions. The first one regards the monitoring and control of the management team and is most applicable for large firms, whereas the second one emphasises the board of directors as providers of resources and is most relevant for describing the function of boards in SMEs (Hillman & Dalziel, 2003; Daily & Dalton, 1993; Fama & Jensen, 1983). This suggests that the main role for directors in smaller firms is to complement the company's internal resources by bringing in additional ones (Gabrielsson & Huse, 2005).

In other words, the board in SMEs can best be described as resource providers with an instrumental role in connecting the firm with resources that complement existing knowledge and other assets. We build on previous research by Hillman & Dalziel (2003) who have examined how human and social capital leads to the provision of resources to the firm. Specifically, they describe the role of directors as resource providers in two different ways. The first part focuses on the resources and knowledge

derived from their own human capital. The second part builds on their social capital in that they can reach for external resources and bring in supplementary resources and knowledge through these.

To conclude, studying how human and social capital can be leveraged in the board context is best done in unlisted SMEs. This is where resource provisioning is most important and where the importance of human and social capital is strongest. The focus on these types of companies and their successful development is also interesting as SMEs create the majority of all new jobs and constitute the back-bone of any economy (Henrekson & Johansson, 2010; Van Praag & Versloot, 2008; Audretsch, 2008). Furthermore, the vast majority of SMEs are unlisted, whereby the focus of this study covers a significant portion of economic activity.

1.3 RESEARCH PURPOSE

The several factors presented above underpin why an investigation of this research topic should add relevant and important knowledge. The role of the board is becoming increasingly important for the success of a company. Unlisted SMEs are a large part of the economic activity in any country and boards in these firms have a main role as being resource providers. This resource provisioning is largely dependent on the individual director's human and social capital and how they leverage on it. A greater understanding for what dimensions directors use of their human and social capital would therefore add to existing theories on human and social capital as well as that on board of directors (see Figure 1).

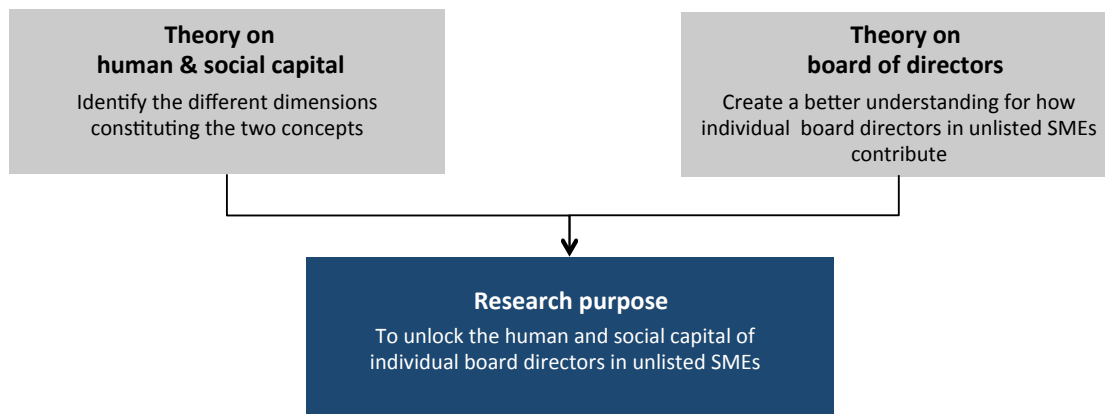


Figure 1: Research purpose

As such, the purpose of our study is to unlock the human and social capital that individual board directors in unlisted SMEs possess and to identify and explore the most important parts that they use in their role as resource providers. Our approach builds on existing theories and research on human and social capital as well as corporate governance, specifically as it relates to board of directors. We build on these to articulate our research question and to refine our study approach and methodology.

As a result, we will be able to further develop and add to the incomplete literature on the application of human and social capital theory in the board of director context.

1.4 RESEARCH QUESTION

To achieve the above-mentioned purpose, unlocking the human and social capital of individual board directors in unlisted SMEs, our study is guided by the following research question:

What dimensions of human and social capital do individual directors leverage to support SMEs in their development?

Answering the research question will enable us to identify the various dimensions of individual directors' human and social capital that are of importance to support the firm's development. The results will further enhance our knowledge about human and social capital dimensions and allow us to review them from a detailed and practical perspective, which goes beyond the existing rough measures provided by earlier literature.

1.5 DISPOSITION

The structure of this thesis is organised according to Swales's (1990) suggestion of an hourglass, mirroring the first three chapters with the last three chapters (see Figure 2). The main goal with this approach is to emphasise the level of analysis in each chapter.

Chapter one presented an *Introduction* to the concepts of human and social capital as well as how it relates to boards and individual directors. It also argued the relevance of focusing our research on unlisted SMEs. It further presented the research purpose as well as the research question that is to be addressed in this study.

Chapter two continues by presenting our *Literature review*, consisting of a presentation of existing literature on boards of director(s) as well as human and social capital. The chapter concludes by presenting the identified theoretical gap and the theoretical framework that will lay the foundation for our empirical study and analysis.

The proceeding chapter three outlines the choice of *Methodology* for our thesis. It consists of a discussion of the research method, data collection, data documentation, data analysis and concludes with a brief discussion of the quality of the research in terms of reliability and validity.

This is followed by chapter four, which presents the *Empirical results* of our study. This chapter is structured according to our theoretical framework.

Chapter five continues by providing an *Analysis* of the empirical results and do also follow the structure of our theoretical framework. This chapter concludes by presenting a summary of the analysis, including a completion of our theoretical framework and an elaboration of the findings.

Lastly, chapter six presents the *Concluding remarks* and will address the research question. The chapter also highlights our study's theoretical and practical contribution, limitations as well as avenues for future research.

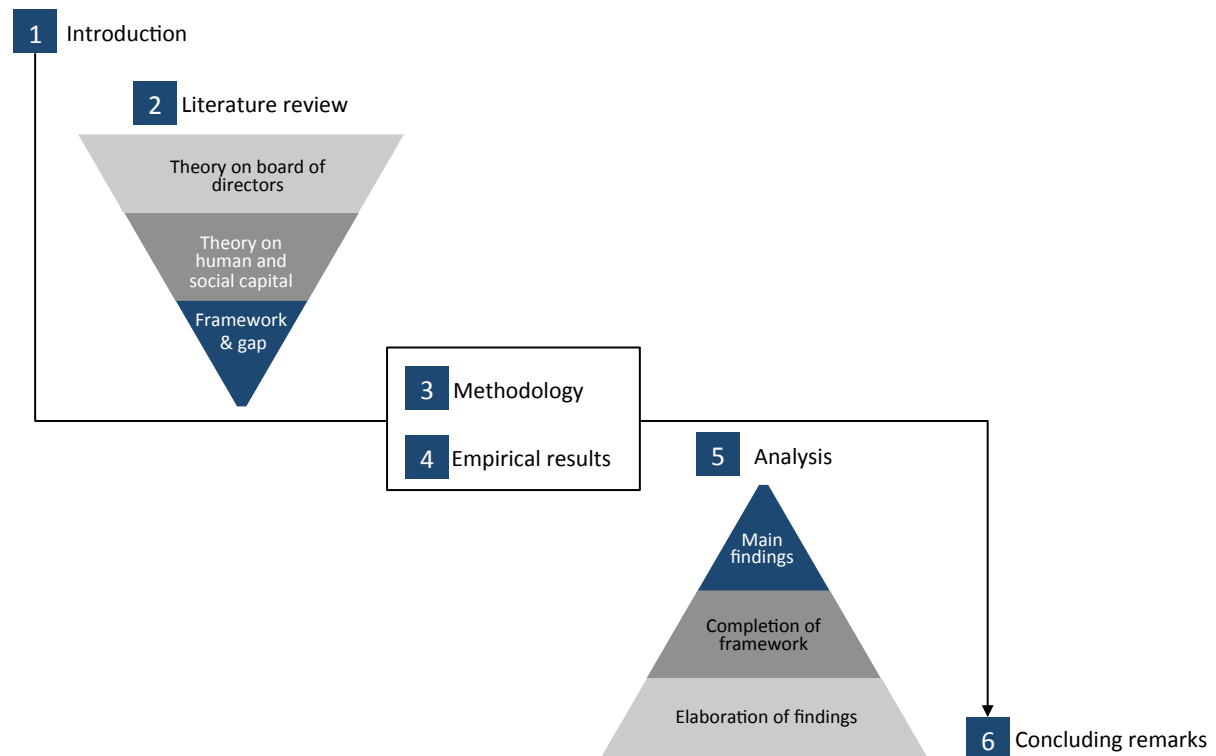


Figure 2: Thesis disposition (based on Swale, 1990)

2 LITERATURE REVIEW

This chapter provides a review of the literature on board of directors and human and social capital. The first part focuses on board of directors and describes the aspects that are assumed to be relevant for our study (2.1). The second part addresses human and social capital by introducing the concepts and how they relate to the board context (2.2). The chapter continues by summarising the literature provided and through that illustrates the research gap that this study aims to fulfil (2.3). The last section presents the theoretical framework, which is built upon the literature, and will serve as a basis for the empirical part of the study as well as the analysis (2.4).

2.1 UNLOCKING THE INDIVIDUAL BOARD DIRECTOR

The literature on board of directors covers a plethora of perspectives, wherefore a limited selection of theories have been reviewed in greater detail to help us answer our research question and interpret the empirical findings with regard to the individual director. Consequently, this section starts by reviewing why researching the individual director, instead of the board as a collective group, is appropriate (2.1.1). The section continues by giving a brief introduction to the importance of non-executive director to ensure an active board in SMEs (2.1.2). The section then presents the function of the board and the importance of resource provision in SMEs (2.1.3) and concludes by emphasising the importance of certain skills to be an effective director (2.1.4).

2.1.1 THE INDIVIDUAL DIRECTOR AS A RESEARCH OBJECT

Numerous authors note that there has been limited empirical study of the inner workings of boards, the actual behaviour of board directors, and their perception about their role and contribution (Pye & Pettigrew, 2005; Kemp, 2006; Stiles, 2001; Forbes & Milliken, 1999). As noted by Huse (1998), actual board behaviour, i.e. what goes on inside the boardroom, has subsequently been treated largely as a ‘black box’.

Behavioural propensities, interactions, and access to resources and timely information are instead theoretical construct proxies of board demographics. Board demographic measures are consequently assumed to reflect the range and diversity of resources and network relationships present in the boardroom, which also are expected to correlate with the board’s ability to undertake its various responsibilities. Given the relatively modest amount of work in this area, focused attention to the antecedents of actual board behaviour suggests great promise for an improved understanding of how boards of directors contribute to the direction and performance in small and medium-size companies. (Gabrielsson, 2007)

Indeed, most of the research we reviewed is conducted at the overall board level, sometimes based on easily accessible data regarding human and social capital that has been aggregated to the overall board

level instead of focusing on the individual. While this approach appears to be common, some studies highlight that this aggregation may overlook useful information (Johnson, et al., 2013; Finkelstein, et al., 2009; Jensen & Zajac, 2004). Finkelstein et al. (2009) for instance highlights that non-executive directors are more influential in the firm's development compared to executive directors, which suggests that an investigation focusing on non-executive directors should differ from an investigation on executive directors.

However, moving away from an aggregate level of boards' capital increases the complexities in the research as each director could be seen as a bundle of experiences and characteristics and the amount of data expands quickly. It also may miss some of contextual elements that depend on the interaction with other directors, and there may be situations where directors either cannot or will not perform their roles (Shropshire, 2010; Hillman & Dalziel, 2003). This could be due to the power dynamics which affects the influence directors have (Daily & Dalton, 1994; Golden & Zajac, 2001; Haynes & Hillman, 2010).

Our research will therefore focus on the directors' contribution to the firm on an individual level, building on their own perception of their contribution. This perspective has been chosen as the board director is best positioned to describe what capital has been leveraged while others may have a view on how impactful it was.

2.1.2 THE NEED FOR ACTIVE BOARDS AND NON-EXECUTIVE DIRECTORS

Active boards are known to be of particular value to help small companies develop and renew themselves and support the firm in different ways. Finding new market opportunities (George, et al., 2001; Zahra, et al., 2000), providing advice and guidance on critical strategic issues that organisations face (Fiegener, 2005; Huse, 1998) are examples of such value-adding contributions. Active boards are further characterised by a culture where directors have the willingness to challenge and dissent, which reflects the dynamics of high-performing groups (Nadler, 2004). Consequently, having an active board with directors who are engaged can be seen as a highly valuable organisational asset in small companies and is considered increasingly important as competition intensifies.

In addition, the level of the board's engagement is often reflected in the number of external directors (i.e. non-executive directors). Recruiting external directors is in turn often seen as a prerequisite for creating an active board in smaller firms (Daily & Dalton, 1992). This suggests that the level of activity in the board is highly dependent on the individual directors being external recruits, and their engagement in the board work. Our research sample will therefore focus exclusively on directors that are non-executive.

2.1.3 THE FUNCTION OF THE BOARD OF DIRECTOR

Research regarding board functions and types of tasks that active board directors perform has taken a number of different directions. Researchers have tried to conduct a comprehensive compilation of existing studies to explain the function of the board (Gabrielsson & Huse, 2004; Huse, 2000). Notwithstanding these attempts, no one has so far succeeded in creating a complete overview. However, it becomes apparent when reviewing the literature that board of directors serve two important functions for organisations: monitoring and control of management, and providing resources (Hillman & Dalziel, 2003). The most researched path in the board function literature addresses the former function through what is normally referred to as *agency theory*. This theory focuses on the importance of separating ownership and control through which the interests of owners are reflected in management actions. This theory is primarily suggested to illustrate the main function in large corporations. (Zattoni & Cuomo, 2010; Daily, et al., 2003; Jensen & Meckling, 1976) Agency problems can also be relevant in SMEs where the decision-making and control structures are less complex, whereby the monitoring role becomes less critical compared to the provision of resources (Daily & Dalton, 1993; Fama & Jensen, 1983). This implies that the depiction of the board's function as a resource provider to an organisation is more applicable when studying smaller firms.

This other, less researched, path explores the linkage between boards and firm performance through the *resource-based view* and *resource dependence theory* (Pfeffer & Salancik, 1978), in which scholars examine the board as a provider of resources. The board as a resource provider is associated with tasks that either help or support the management team in creating linkages between the firm's internal and external environment and act as a strategic resource for securing additional capabilities for the firm (Pfeffer & Salancik, 1978; Mace, 1971). The *resource based view* argues that the firm's internal environment in terms of its resources and capabilities is critical for creating a sustainable competitive advantage (Prahalad & Hamel, 1990). In turn, the *resource dependency theory* argues that the long-term survival and success of a firm is dependent upon its abilities to connect the firm with its external environment (Pfeffer & Salancik, 1978). Consequently, it is considered important to have a board with experienced non-executive directors that possess the knowledge, skills and experience which can help build bridges between the internal and external environment and thereby support and complement the management of the firm (Gabrielsson & Huse, 2005; Zahra & Pearce, 1989; Castaldi & Wortman, 1984). It is further argued that the company's success, in SMEs, is dependent on how well the directors get access to the resources needed (Pfeffer & Salancik, 1978).

2.1.4 THE INDIVIDUAL DIRECTOR'S SKILLS

Board directors need various kinds of knowledge and skills in order to contribute effectively to the board work. This can be in terms of both the depth in the understanding of the firm and the industry, and the wider perspective that puts issues into a broader context (Demb & Neubauer, 1992). General

knowledge among the individual directors can also be a critical ingredient for the board's work. This is of particular importance in smaller firms where the managers may lack strategic experience (Forbes & Milliken, 1999). Despite the lack of clarity on what expertise make board directors effective, Shen (2005) has noted that what matters most to improve the work of the board is the behaviours and skills of the individual directors. This reasoning further strengthens the relevance in studying the individual board director and her contribution in terms of providing resources to the firm.

Nevertheless, some researchers argue that it is equally important that the board directors have the ability to collaborate with colleagues on the board and see it as part of their work to assist the board as a whole to function as a cohesive team (Coulson-Thomas, 1991). However, an often-noted challenge in all types of groups is groupthink, and this is also the case in boards. Therefore, the director has to be able to maintain independence, resist groupthink and raise critical questions, to be able to contribute effectively to the firm (Bowman & Kakabadse, 1997; Demb & Neubauer, 1992).

2.2 HUMAN AND SOCIAL CAPITAL

Human and social capital are two integrated concepts that we will draw on to explore the individual director's contribution to the firm's development. This section builds on the construct of the two concepts by giving a presentation of them (2.2.1 and 2.2.2 respectively), before addressing how they appear in the context of the boardroom (2.2.3).

2.2.1 HUMAN CAPITAL

The concept of human capital was originally introduced by the economist Schultz (1961) to reflect the value of the individual's human capacities derived from education or training. Through academic work, a general understanding of human capital has evolved to include formal education such as university, training courses, on-the-job training as well as experiences and expertise developed from employment or entrepreneurial activities and other professional activities (Unger, et al., 2011). Nowadays, the most commonly used definition of human capital simply includes: education, experience, knowledge and skills (Sturman, et al., 2008; Bailey & Helfat, 2003; Florin, et al., 2003; Coleman, 1988). Apart from the components above, some scholars also include personal characteristics when describing the concept of human capital (Lepak, et al., 2006; Wright, et al., 2001). This addition is an important one, not least in relation to the board context as discussed above (see Section 2.1.4).

The wide range of human capital definitions presented in the literature is a reflection of the ambiguity of the concept. It is assumed to be multi-faceted in its nature as most of the components can differ in importance depending on the context in which they occur. For instance, skills and competencies may

be general or highly specific, and more or less applicable in different firm contexts. (Hambrick & Fukutomi, 1991; Kor, 2003)

Moreover, the possession of individual human capital is suggested to affect the ability to influence others, given that it is relevant for the specific context (Hillman & Dalziel, 2003; Johnson, et al., 1996; Lynall, et al., 2003) and can thus affect the extent to which an individual is able to utilise the capital she possesses.

2.2.2 SOCIAL CAPITAL

The concept of social capital initially referred to the ability of individuals to extract benefits from their social structures, networks and memberships (Portes, 1998; Lin, et al., 1981). This definition has been developed through academic work and can now be described as the resources accessible through the network of social relationships possessed by an individual (Hillman & Dalziel, 2003) or as the advantage created by a person's location in a structure of relationships (Burt, 2005). As with human capital, numerous definitions of social capital exists and this ambiguity leaves room for further studies that seek to clarify the concept further, particularly within the board context.

The construct of social capital can be related to two main functions – *bridging* and *bonding*. *Bridging*, stems from the connection of individuals' external networks to the focal organisation in order to provide resources (Adler & Kwon, 2002; Putnam, 2000), such as information and experience (Perry & Peyer, 2005; Carpenter & Westphal, 2001). *Bonding*, on the other hand, refers to the internal organisational trust among individuals. This trust is a result of joint work experiences which makes it possible for group members to develop a bonding form of social capital owned collectively by all group members (Adler & Kwon, 2002).

Social capital can also be described in terms of ties through which resources are provided (Putnam, 2000). These ties may be either direct or indirect and their intensity may vary. Weak ties are loose relationships between individuals, as opposed to the strong ones that would be found between family members. Weak ties are useful in obtaining information that would otherwise be unavailable or costly to locate. They extend one's network by linking individuals or organisations together and providing an interface for exchanges to take place. (Granovetter, 1973) The strong ties provide secure and consistent access to resources (Cook & Whitmeyer, 1992).

Furthermore, social capital can be provided by the extended family, communities or through organisational relationships and is assumed to supplement the benefits of education and experience (Coleman, 1988; Loury, 1987), components that were identified within the concept of human capital above. The incremental value that can be derived from social capital depends in part upon an

individual's ability to process and share information obtained from her internal and external networks of relationships (Borgatti & Cross, 2003). As such, human and social capital are interlinked and reinforce one another. Moreover, as with human capital, social capital plays an important role in decision-making and the extent to which one is able to influence the direction of discussions (Johnson, et al., 2013; Kor & Sundaramurthy, 2008; Arthurs, et al., 2008; Kroll & Walters, 2007; Carpenter & Westphal, 2001).

2.2.3 HUMAN AND SOCIAL CAPITAL IN THE CONTEXT OF THE BOARD

The literature presented above has discussed human and social capital from a general perspective, without considering how it appears in the context of a board. Nevertheless, some researchers have examined human and social capital in boards and thus coined the concept board capital. The research on board capital has thus far concluded that boards affect strategic decisions of the firm through both their human and social capital (Jensen & Meckling, 2004; Carpenter & Westphal, 2001; Judge & Zeithaml, 1992). However, the findings within this area are still lacking in presenting a systematic classification schedule of directors' human and social capital and the literature is far from definitive (Johnson, et al., 2013; Tian, et al., 2011; Hillman & Dalziel, 2003). Moreover, many findings in this area derives from having aggregated knowledge on board directors' human and social capital, or have been identified in light of a certain type of event, for instance in CEO succession (Johnson, et al., 2013). This further strengthens the need to study how individual directors draw on their human and social capital in contributing to the firm. A selection of findings regarding directors' human and social capital that have appeared in the literature thus far is presented below.

The educational background is often argued to be a demographic variable, however, many researchers include this parameter when exploring the concept of board capital. The educational level is thought to affect directors' cognition and ability to influence the work (Rose, 2007; Daily & Dalton, 1994). While information on educational background may be easy to gather, further work is needed to understand the linkage between educational variables and to what extent directors draw on this experience in their board work (Johnson, et al., 2013).

Furthermore, holding multiple directorships or having prior experience from executive positions can contribute to the development of board capital. The two professions contribute to the individual's board capital by exposing the director to a variety of strategic and governance related issues. (Beckman & Haunschild, 2002) It further develops the director's ability to approach a diverse set of problems and develop a cosmopolitan view of strategic and management issues, which increases the director's ability to provide valuable strategic advice to cope with the various challenges the firm encounters (Carpenter & Westphal, 2001). A few scholars have even pointed out that the experience as a CEO enables the director to better influence the work in the boardroom (Tian, et al., 2011;

Fahlenbrach, et al., 2010; Stevenson & Radin, 2009; Carpenter & Westphal, 2001). Thus, having multiple directorships and prior executive experience does impact the human capital one possess, but how the individual directors draw on it remains unclear.

Directors may also possess industry knowledge which shapes the director's way of thinking and develops their frame of references (Huff, 1982; Tsoukas, 1996; Westphal & Fredrickson, 2001). It further broadens their understanding for how firms operate and industries function (Nahapiet & Goshal, 1998). However, this research is not comprehensive and how industry experience is leveraged in the board is not fully understood.

The literature on the directors' skills and characteristics is inconclusive, yet Petrovic (2008) has tried to make a synthesis of what the corporate governance literature highlights as prominent skills and important characteristics. The skills a director should hold to be able to contribute could be summarised as: having an understanding of the context in which the firm operates (Coulson-Thomas, 1991) strategic awareness (Pye & Pettigrew, 2005) and having knowledge of the company business (Forbes & Milliken, 1999). The characteristics, on the other hand, could be summarised to include: the ability to raise voice (Nadler, 2004), having an open mind about others' opinions, and communicate constructively (Huse, 2005; Nadler, 2004).

The literature on social capital within boards suggests that it is a conduit for the flow of resources, information, and advice both into and out of the organisation (Johnson, et al., 2013). As with the parameters on human capital described above, this also appears to be incomplete in that no systematic classification exists of how the individual director's social capital is used to contribute to the board work. Much work remains to provide a solid theoretical foundation for the importance of social capital in the board context, both in terms of the value of both bridging and bonding.

The literature demonstrates that growing attention is directed towards what type of human and social capital is leveraged in the board context and previous studies confirm that the level of board capital has important effects on company performance (Johnson, et al., 2013). However, many researchers highlight the need for further studies within this area and the focus has to be shifted from studying the two concepts on an aggregated board level to instead focus on the individual director. The research presented above implies that we do not only draw on the concepts of human and social capital in general as a starting point for our investigation, but that we also account for the findings that have been developed within the context of boards thus far, denoted as board capital.

2.3 SUMMARY OF RESEARCH NEED

This section further illuminates the need for additional research that this thesis aims to address and highlights the identified knowledge gap.

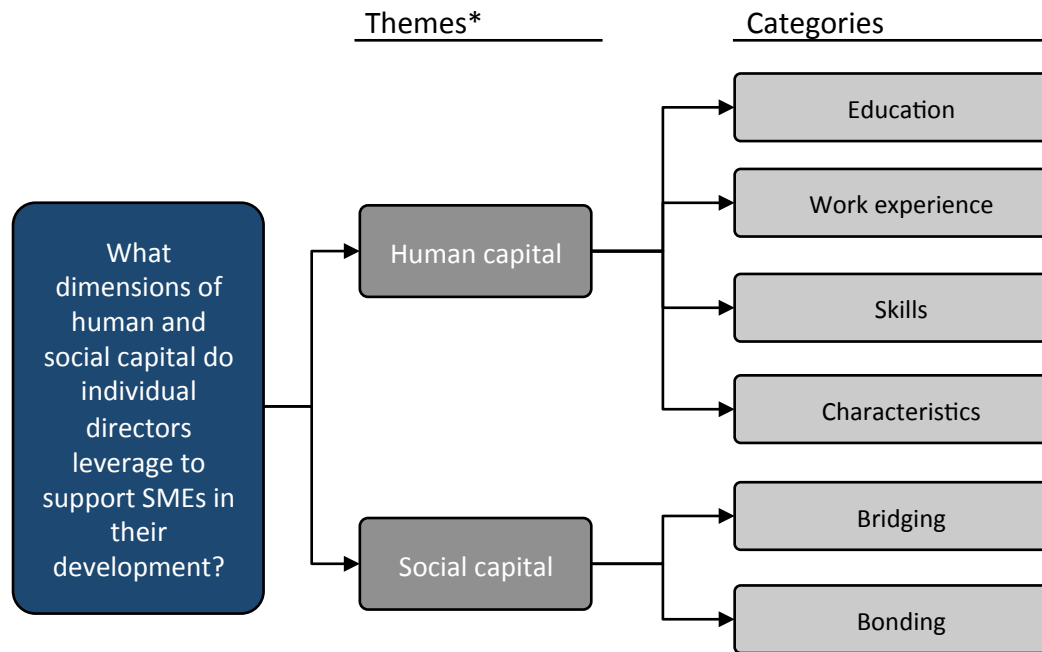
Scholars have recently begun to devote attention towards the individual board director (Johnson, et al., 2013; Pye & Pettigrew, 2005; Huse, 2011). Supporting this approach, Tian, et al. (2011) argues that it has never been more urgent than it is now to explore how individual directors contribute to the board. Despite attempts to create a better understanding of the individual board director and her contribution, research does not yet provide a clear answer to the basic question of what is the profile of individuals that make the best board directors (Johnson, et al., 2013) or how a director can best contribute to a firm's development (Huse, 2011). Some scholars have taken the concept of human and social capital as a starting point to answer the what and how of individual director's contribution (Johnson, et al., 2013). While progress has been made, the findings within this area are still lacking a classification schedule on the dimensions constituting the directors' human and social capital (Johnson, et al., 2013; Tian, et al., 2011; Hillman & Dalziel, 2003).

Building on the identified research needs described above, our aim is to explore how individual directors in unlisted SMEs contribute by unlocking their human and social capital. Our purpose is to identify and examine the most essential dimensions that they use in their role as resource providers and as individual board directors.

2.4 THEORETICAL FRAMEWORK

This section concludes the literature review by presenting our framework, which is built upon a thorough investigation of previous literature and is structured to assist us in our quest to close the identified gap. The framework will further guide our empirical research and serve as a basis for our analysis.

Following a close review of previous literature on human and social capital, we have concluded that no complete, dominant and practical model exists to support our research. A framework was therefore developed and is presented in Figure 3 below. The framework is built upon the body of literature regarding human and social capital and consists of a categorisation of the two concepts or themes as they have been denoted in the framework. It further defines the categories within these themes that we would expect to find as the most relevant in our empirical research.



* The themes represents two fields of research

Figure 3: Theoretical framework

It is understandable that no model exists that can guide us in our study, since this area of research is relatively recent and broad (Johnson, et al., 2013). It is broad in the sense that the themes of human and social capital capture a wide range of categories and underlying dimensions, and the importance of each depend upon the context in which they are tested. Nevertheless, previous literature have guided us through the concepts and enabled us to create our own conceptualisation of the two themes and what categories that may play an important role for board directors in contributing to the board work in terms of providing them with supplementary resources.

As such, human capital has in our study been defined to include *education*, *work experience*, *skills* (e.g. Sturman, et al., 2008; Bailey & Helfat, 2003) and *characteristics* (Lepak, et al., 2006; Wright, et al., 2001). Social capital, on the other hand, has been defined as including the categories *bonding* and *bridging* (Adler & Kwon, 2002). These six categories were specifically chosen, as we believe that the findings from our empirical study will be centred around these areas. This belief is primarily grounded in existing theory on human and social capital and how it is applied in the board context. It is also grounded in research that has been conducted on the individual director's role as a resource provider.

Moreover, our belief is that the findings regarding the directors' human capital will be more detailed and extensive compared to the findings that can be related to social capital. This is due to the different nature of the themes where human capital focuses on the individual's background, experiences and

characteristics, whereas social capital focuses on how the individual can access additional resources through internal and external networks. The former of these themes lends itself to very granular descriptions and the individuals can more easily describe the contribution that derives from their human capital. Their description of social capital will likely be at a higher and more general level. This reasoning is reflected in the framework by assigning human capital four categories as well as positioning it at the top.

The ambition is to narrow the theoretical gap by applying the framework presented above. Nevertheless, the categories presented in the framework have to be tested against the empirical data and might consequently be altered. The factors constituting the six categories will further have to be identified in the analysis of the empirical data presented in chapter 5. Consequently, the research approach in this study will be of a qualitative kind to better address the identified gap and test our framework. The methodological approach we have taken is described in detail in the next chapter.

3 METHODOLOGY

This chapter outlines the methodological choices made for this research. It starts by explaining our research method (3.1). Thereafter, a description of the data collection is presented (3.2). Subsequently, a description of data documentation (3.3) and data analysis (3.4) will be described. The chapter concludes with a discussion about the quality considerations of our research (3.5).

3.1 RESEARCH METHOD

This study employs an exploratory and qualitative research method in order to answer our research question: *What dimensions of human and social capital do individual directors leverage to support SMEs in their development?* An exploratory study approach is especially beneficial when researching an area where limited prior research has been conducted (Stebbins, 2001; Edmondson & McManus, 2007), which is the case regarding the individual directors' human and social capital in unlisted SMEs. Furthermore, the study will take an abductive research approach in order to answer the research question. The qualitative study and our research approach are presented below (3.1.1 and 3.1.2 respectively).

3.1.1 QUALITATIVE STUDY

The relatively recent state of theory in this field supports the use of a qualitative study rather than a quantitative one, as qualitative data is better for creating a thorough understanding of a phenomenon that has not yet been fully explored (Edmondson & McManus, 2007). On a related note, Eisenhart & Graebner (2007) emphasise that qualitative interviews are highly efficient to gather rich data. This in turn will broaden our understanding of what dimensions of human and social capital directors leverage on in their board work. Additionally, Yin (2013) suggests that a qualitative study is more appropriate than a quantitative one when the study is of an exploratory nature. However, it should be mentioned that a qualitative approach limits the generalisation of results to some extent (Yin, 2013). Qualitative research can be seen as a descriptive method; however, it also reflects the social construction of reality (Gephart, 2004). This has been of high importance for this study, as we wanted to investigate the individual director's contribution to their board work from a practical perspective.

Moreover, to enhance theory, researchers have been calling for more qualitative approaches when conducting studies regarding boards in SMEs as well as how to best explore and investigate the concepts of human and social capital (Finkelstein, et al., 2009; Cycyota & Harrison, 2006), which further strengthens the chosen approach. Qualitative studies of boards have been identified as a critical element for future research; yet, gaining access to the boardrooms is difficult for most researchers. However, overcoming this barrier would open up a rich data set and bring additional value to existing literature on how board directors contribute (Leblanc & Schwartz, 2007). Moreover, qualitative studies are also demanded within the field of human and social capital since researchers

believe that qualitative studies are needed to fully reflect how these concepts are used in practice (Finkelstein, et al., 2009; Cocyota & Harrison, 2006).

3.1.2 RESEARCH APPROACH

This study will take an abductive approach which enables us to move between induction and deduction while practicing the constant comparative method (Suddaby, 2006). The inductive approach focuses on the empirics and takes this as a starting point for generating new theory that can explain the findings in the data. In a deductive approach, on the other hand, researchers take existing theory as a starting point and the empirical research is guided by this theory in order to prove or disapprove its accuracy (Bell, 2006). Thus, an abductive approach takes advantage of the two approaches presented (Suddaby, 2006) and is considered to suit our study.

3.2 DATA COLLECTION

This section describes the selected method of semi-structured interviews (3.2.1), followed by a presentation of the pilot interviews (3.2.2). The section continues by giving an introduction to the interview guide (3.2.3) and participant sample (3.2.4). The section concludes by presenting the interview setting (3.2.5).

3.2.1 SEMI-STRUCTURED INTERVIEWS

As the study was qualitative and exploratory in nature, semi-structured interviews were considered to be the preferred method for collecting data (Saunders, et al., 2009; Edmondson & McManus, 2007; Miles & Huberman, 1994). The use of open questions generated deep insights from the interviewees as it allowed them to answer the questions more freely, which in turn led to more reliable data (Saunders, et al., 2009; Quader, 2007). In accordance with Edmondson & McManus (2007), the data gathered from the semi-structured interviews was also good for creating an understanding of what dimensions of human and social capital that was useful.

3.2.2 PILOT INTERVIEW

In order to test our research approach, we conducted two pilot interviews before the study was rolled out in its entirety. This was helpful in several ways. First, they enabled us to run tests of our questionnaire to ensure that no potential caveats, such as leading questions, were embedded in our final interview guide. Pilot interviews are particularly suitable for identifying caveats as they give advance warnings of where the study could fail (Polit, et al., 2001).

Secondly, the use of pilot interviews enabled us to ask the interviewees for feedback in order to identify ambiguities and difficult questions. It further helped us to ensure that questions, which were not answered as expected, were re-formulated before running the full study (Peat, et al., 2002).

Thirdly, conducting pilot interviews also enabled us to create a better understanding of the concepts of human and social capital and how it appeared in the board context. This was helpful as we received an indication of whether our definitions and interpretation of the themes was comparable to the findings from the pilot interviews. It further helped us as we received an indication of potential future findings.

Lastly, having completed the pilot interviews, transcribed and analysed them, we could conclude that the answers generated were satisfactory. The pilot interviews were therefore added to the number of participants interviewed in this study. Nevertheless, two minor alterations were made to improve the interview guide. Firstly, there was a strong need to emphasise that this research primarily was interested in the individual director's contribution, and not the board as a collective group. Secondly, to fully capture detailed information regarding the categories of the individual's human and social capital, we identified a need to use funnelling more extensively. This technique involves starting with general questions, and then digging deeper into different points in each answer (Grbich, 1999).

3.2.3 INTERVIEW GUIDE

Following the pilots, an interview guide was created and it helped ensure the necessary focus in the open-ended questions. The interview guide was used for discussion rather than as a manuscript to follow and consisted of two parts, an overview and a questionnaire (see Appendix 1). The overview aimed to familiarise ourselves with the interviewee, the company and the board that we were focusing on. The questionnaire, on the other hand, consisted of six parts, section A to F where the interviewees were asked to focus on themselves and their individual contribution when answering the questions. Section A began by focusing on the interviewee's background and career path. Section B continued by emphasising questions regarding board dynamics to receive an understanding of the board's function and development, with the main objective to ensure that the directors regarded themselves as resource providers. Thereafter followed section C, which aimed to evoke memories from tough situations that the participant had experienced in the board work, as this would enable them to recall how they had contributed in the specific situations. Section D was based on section C: it sought to identify more precisely how the director had contributed in handling the identified situations. This was followed by section E, which focused on the individual's characteristics and how these had helped them in their board work. The questionnaire ended with section F, where all interviewees were asked and encouraged to add any information they felt like sharing.

To allow for a natural flow, questions varied and the probing questions differed depending on what the interviewee answered. This made it possible to steer the discussion into areas that seemed particularly relevant for answering the research question (Yin, 2013; Saunders, et al., 2009). Moreover, each interview started by informing the interviewee that they would remain anonymous in the study and that the name of the company would not be published. This was done to release some of

the hesitation due to a sensitive research area and to allow the interviewees to express themselves more freely.

3.2.4 PARTICIPANT SAMPLING

The empirical findings in this study are built upon 22 interviews with directors that are currently active within the boards of different unlisted SMEs in Sweden (see Appendix 2 for a brief presentation of the sample). Twenty-two interviews were considered sufficiently comprehensive in accordance with Bazeley (2013) and Guest et al. (2006), as it enabled us to identify patterns and indications within our findings.

We also used information provided on public websites³ to receive background information on the interviewees. This allowed us to verify that the interviewees have been active in at least one board during the last year, as we wanted to ensure that the interviewees used recent experience and recollection. In addition, we wanted to ensure that the participants were external hires and consequently not part of the management team since the theory draws a distinct line between external (non-executive directors) and internal (executive directors) directors, where boards with a majority of external directors are assumed to be more active.

We accessed the 22 directors using three different techniques. Firstly, we used our internal network by contacting previous colleagues and friends who knew people serving as board directors. This helped us to access seven of the interviewees. Secondly, we used one of our contacts who had close ties to various board directors, which helped us get access to another eight directors. This informal route is according to Leblanc & Schwartz (2007) considered an effective way to establish contact as it is known to be difficult to get access to board directors. Thirdly, as directors frequently serve on multiple boards, we were able to get further access by leveraging on referrals. This route in gaining access to directors can be considered a form of snowball technique where access to one director leads to further access to others (Leblanc & Schwartz, 2007). This technique helped us to get seven more interviews with directors to our sampling.

3.2.5 INTERVIEW SETTING

Of all 22 interviews, 19 were conducted face-to-face between 23rd of March and 20th of April 2015. The majority of the interviews were conducted at the interviewee's office in Stockholm, apart from two that were conducted in the home of the interviewee. The remaining three interviews were conducted via telephone, due to time constraints or limited availability. The interviews lasted between

³ www.linkedin.se & www.allabolag.se

34-76 minutes (46 minutes on average) excluding a brief introduction of the research topic, the confidentiality agreement and a presentation of ourselves as researchers (see Appendix 3).

Both researchers were present at every interview to avoid variations in interpretation of the collected data from the interviews, as suggested by Eisenhardt (1989). All interviews were held in Swedish, as it is the native language of the interviewees as well as of both interviewers.

3.3 DATA DOCUMENTATION

To ensure that the content of the entire interview was captured, all of them were recorded after having received permission from the interviewees. Additionally, one of the researchers was responsible for taking notes during the interviews, which worked as a complement to the recording. The interviews were transcribed from the recordings within 24 hours after the interview. This enabled us to build more intimate knowledge of the data, which is considered helpful according to Baseley (2013). Furthermore, all interviews were discussed within 48 hours to ensure that both researchers had the same impression regarding what had been said. Since there is no established best practice when it comes to creating an understanding of the transcribed interviews (Silverman, 2010), our approach was to summarise the discussion into bullet points individually (Bazeley, 2013). Not only did this help us shortening the transcript and simplifying the data, it also allowed us to interpret the data individually to later agree upon the main findings discovered in the interviews.

3.4 DATA ANALYSIS

The data collected for this study was analysed by using coding and was further inspired by the thematic analysis approach. The thematic analysis is a good method for identifying and reporting patterns within data and is assumed to be particularly useful when dealing with a rich data set (Braun & Clarke, 2006), which is the case with the interview transcripts generated from this research. This is also considered suitable when exploring what dimensions the individual director leverage on in contributing to the board work. Nevertheless, as we strive to develop existing theory through our study, inspiration has been taken from Bazeley (2013) as well, since he regards theme building as a step between coding and the development of theory.

Consistent with the method mentioned above, Figure 4 below presents the different steps in our data analysis and illustrates how we move between the inductive and deductive approach in our study.

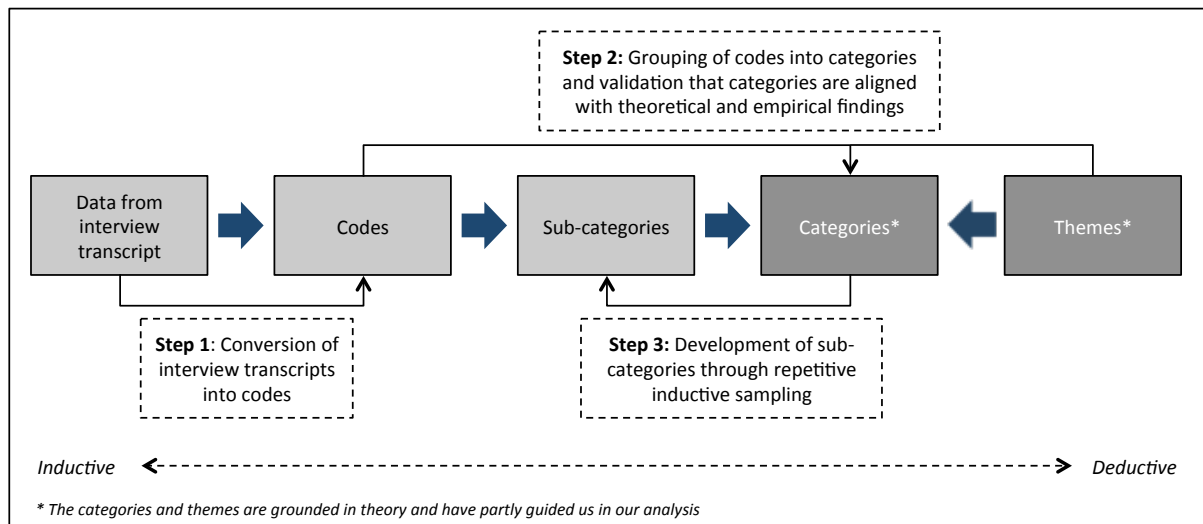


Figure 4: Data analysis process

The first step (Step 1) in the analysis started directly after having transcribed all interviews. This step involved an inductive approach in which we coded all data from the interview transcripts and identified codes that provided answers to our research question, without relating them to theory. This approach enabled us to explicitly code what the interviewees had said as opposed to what they meant (Braun & Clarke, 2006). The coding was done in two parts whereby we started to code the data individually and later compared the results (Miles & Huberman, 1994). In case a disagreement occurred regarding the data coding, reasons behind the disagreement were elaborated on and the codes were adjusted accordingly. Moreover, we calculated the frequency of the codes (Lee, et al., 1999), and chose to exclude the ones that were mentioned less than three times in an attempt to reduce outliers. Thus, only the codes that were most relevant to answer the research question were analysed further.

In a second step (Step 2), the relevant codes were sorted according to the categories presented in our theoretical framework, meaning that our data analysis took a deductive approach in this step. This enabled us to test whether the six categories (education, work experience, skills, characteristics, bridging and bonding), initially derived theoretically from the two themes (human and social capital) as presented in section 2.4, fully captured the identified codes. This enabled us to ensure that these six categories remained relevant for the findings from both a theoretical and empirical perspective.

The third step (Step 3) started after we had coded all data and sorted the relevant codes into the categories in our framework. This step included sorting a relatively small sample of codes into a series of well-defined, mutually exclusive sub-categories, within each category (Bazeley, 2013). The sub-categories were given a tentative name and brief definition, which was subsequently modified as the work progressed and more codes were reviewed. The process of categorising into sub-categories

entailed a trial and error approach, meaning that we allowed the sub-categories to emerge and change throughout the process. This process continued until all codes had been arranged in sub-categories, as suggested by Bazeley (2013). Consolidating the codes into sub-categories was done with the aim to reduce complexity and identify patterns within the answers. This part of the analysis was mainly characterised by an inductive approach, as the sub-categories were developed and defined without support from existing theory. The categorisation was, similar to the coding, performed individually before a comparison was made and any disagreements between us were elaborated on and adjusted accordingly. A comprehensive overview of the identified codes and sub-categories can be found in Appendix (see Appendix 4) and Figure 5 below illustrates two examples of the data analysis process.

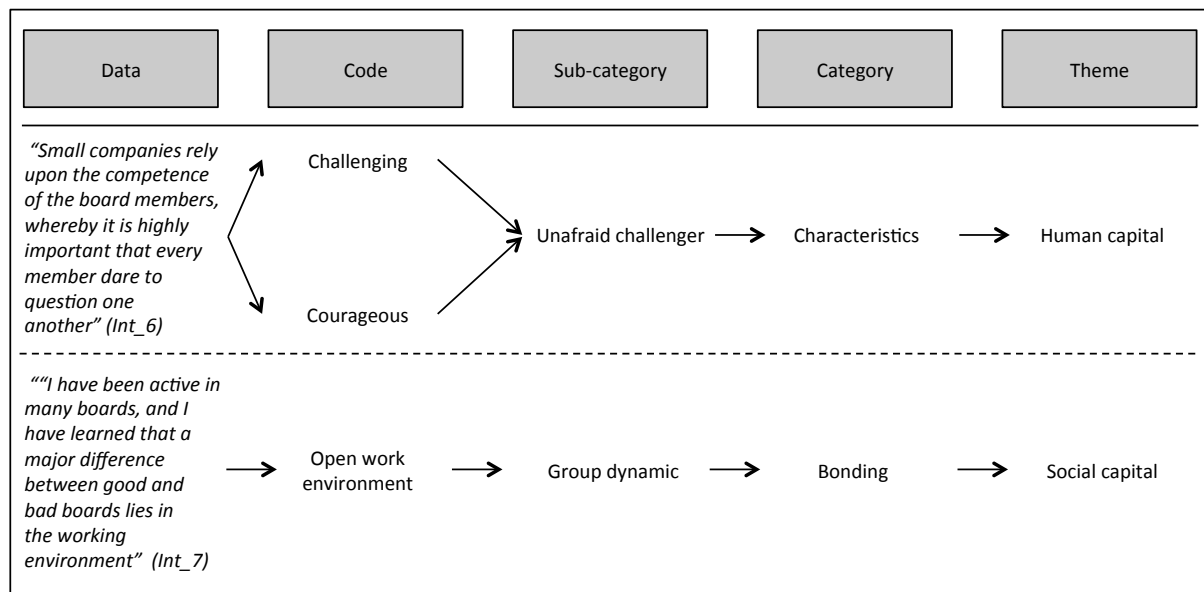


Figure 5: Example of data analysis process

Even though the analysis approach appears to be straightforward in following the above-mentioned steps, it has consisted of a constant moving back and forth across the entire data set. Trial, error, persistence, logic and intuition all contributed to the data analysis approach. This involved continuous examination of the interview transcripts to ensure salient, consistent coverage of the interviewees' experiences and contributions in the boardroom.

3.5 QUALITY CONSIDERATION

In the following, a presentation of the quality aspects of the research method will be discussed in terms of reliability (3.5.1) and validity (3.5.2).

3.5.1 RELIABILITY

According to Silverman (2010), the primary threat to reliability of a study is the biased interpretation of the collected data that could be understood differently if the study was to be repeated by other

researchers. In order to reduce the effect of this issue, we were both present at all interviews, the content was discussed afterwards and the coding of data was done individually (Bazeley, 2013). If disagreements occurred, these were discussed to find a reason for the variation and to reach an agreement about the data. This helped to ensure clear definitions of the codes and sub-categories in the final analysis of the results. Additionally, the ambition was to explain the process of collecting and analysing data in great detail in order to make it as comprehensive as possible to enable replication.

Despite different precautions taken to increase the reliability of this study, we acknowledge that a certain “bias is an unavoidable part of the process” (Elliott & Timulak, 2005). This since our data analysis approach depends to a certain extent on our own insights, experiences and interpretations. This should be considered when evaluating the reliability of our study.

3.5.2 VALIDITY

Validity is concerned with measuring what one actually is supposed to measure (Kvale, 1995) and according to Yin (2013) the validity particularly poses a threat to exploratory studies. To understand validity one can segment it into two parts, internal and external validity (Yin, 2013).

Internal validity of a study refers to the extent to which a study reflects reality and does not merely present a few well-chosen examples (Silverman, 2010). As suggested by Eisenhardt & Graebner (2007) this study achieved an increased validity by interviewing a broad sample of individual directors, from different companies and various industries (see section 3.2.5). Moreover, conducting two pilot interviews prior to the main study further increased the internal validity (Peat, et al., 2002).

External validity encompasses to which degree the findings can be transferred or applied in other contexts (Lincoln & Guba, 1985). To facilitate transferability of the study, both the processes and methods used were described in detail. This allowed for redesign of the study where appropriate, in line with the iterative approach of qualitative research (Yin, 2013).

Lastly, it was clearly communicated to all the interviewees that both the company and their identity would remain anonymous. The purpose of this was to make them more relaxed about speaking freely about the topic as well as provide us with more trustworthy and fruitful answers. Complementary e-mails were also sent out to the interviewees to clarify uncertainties when these occurred, which also increased the validity of the data used.

4 EMPIRICAL RESULTS

This chapter outlines the empirical results of our study and is structured according to our theoretical framework. This structure was assumed to be the most suitable one to capture our findings from the 22 interviews (see Appendix 4 & Appendix 5 for a complete overview of the identified codes). Quotes from the participants, which are typical for the sample, have been used in each section to substantiate our findings. The chapter starts by presenting the results of human capital (4.1), followed by an outline of the findings regarding social capital (4.2).

4.1 HUMAN CAPITAL

This section is structured according to one of the two themes in our theoretical framework and covers the categories of *education* (4.1.1), *work experience* (4.1.2), *skills* (4.1.3) and *characteristics* (4.1.4). Each part in this section starts by presenting the identified codes that could be linked to the specific categories as a contributor to the board work.

4.1.1 EDUCATION

In total, we identified five codes that could be linked to education: having a *university degree* or *MBA degree*, having taken *voluntary* or *mandatory board courses* and finally other *board related seminars* (see Table 1).

Table 1: Codes related to education

| Education | | | | | |
|-----------|------------------------|--------------------|---|-------------------|--------------------|
| # | Code | # of participants* | # | Code | # of participants* |
| 1 | Voluntary board course | 6 | 4 | University degree | 5 |
| 2 | Board related seminars | 6 | 5 | MBA degree | 3 |
| 3 | Mandatory board course | 5 | | | |

* Number of participants who mentioned the code as a contributor to the board work

Some of the participants emphasised that their educational background in terms of having a *university* (n=5) or *MBA degree* (n=3) has been of direct use in their role as a director.

"I would consider my education valuable (...) and it has further helped me to develop a strategic mind-set which is useful in my work at [company]" (Int_15)

Despite having a *university* or *MBA degree*, 15 of the interviewees mentioned that they have taken additional courses in board work, either in terms of *voluntary board courses* or *mandatory board courses*, or other *board related seminars* parallel to their work. Some of the *voluntary board courses* (n=6) that had been useful in the board work were for instance taken at 'the Swedish Academy of Board Directors', focusing on different topics. The *mandatory board courses* (n=5) were instead a

result of being a director in a listed company. The *seminars* (n=6) included a range of topics that could be related to board work, e.g., self-leadership. In total, eleven of the interviewees who had taken either one or more of these types of courses mentioned that they had been helpful in their board work.

“Education on board work is a great way to gain more knowledge about the formalities around corporate governance. (...) you have to stay up to date with the rules and regulations” (Int_11)

4.1.2 WORK EXPERIENCE

The eleven codes that could be linked to work experience are related to specific knowledge that the participants possess or positions they have held and include the following: having worked as a *consultant*, work experience from *different industries*, the possession of *industry knowledge*, being a *functional expert*, being the *founder* and/or *owner* of a company, having held the position as a *CEO* or other positions within the *management team*. The last three codes refer to experiences from having been *chairman of the board* or a *board director* in a listed or unlisted company (see Table 2).

Table 2: Codes related to work experience

| Work experience | | | | | |
|-----------------|---------------------------|--------------------|----|-------------------------|--------------------|
| # | Code | # of participants* | # | Code | # of participants* |
| 1 | Board director (Unlisted) | 22 | 7 | Board director (Listed) | 9 |
| 2 | Industry knowledge | 16 | 8 | Founder | 6 |
| 3 | Functional expertise | 11 | 9 | Owner | 6 |
| 4 | CEO | 11 | 10 | Management | 4 |
| 5 | Consultant | 11 | 11 | Different industries | 3 |
| 6 | Chairman of the board | 10 | | | |

* Number of participants who mentioned the code as a contributor to the board work

Of the 22 participants, the background profile in terms of work experience could be divided into a background in a specific field, different fields or experience from both. Having *industry knowledge*, for instance in pharmaceutical or retail, contributed according to the majority on the interviewees (n=16). Furthermore a background, in terms of experiences within *different industries* has also been valuable in the board work (n=3).

“I started my career within consulting at [company], and got the chance to work with different industries and the different challenges that these industries faced. (...) but have narrowed down my focus to one industry now” (Int_20)

Apart from having been active in one industry and thereby developed a certain expertise in that specific field, some of the interviewees (n=11) have held the same position within their respective

companies for numerous years. This could for instance be as the logistics manager, which has given them *functional expertise* within this area.

“Working with logistics for a couple of years has given me a certain competence and I feel that I can contribute a lot in this specific area” (Int_5)

The interviewees that have a background within *consulting* (n=11) highlight that this experience helps them in their board work. They have benefited from the learnt ability to solve different problems efficiently, structure the work and question the status quo.

“My years as a consultant was a school in itself, (...) but my key take away from my time as a consultant is that ‘nothing is true until you have figures on it’” (Int_5)

“Having worked at [company] has really been a valuable experience. I have for instance developed the ability of strategic thinking (...) but it has also developed me as a person” (Int_9)

One thing that all interviewees agreed upon, regardless of their level of expertise within a certain area, was the importance of putting in a lot of time and effort to become highly proficient in their area of interest.

“No matter what career path you choose, one thing that is key is to become really good at what you are doing” (Int_17)

All interviewees have held a variety of positions within the companies that they have been active in; all of them have held a position in the *management team* and 16 have experience from being the CEO in a company. Having been a part of the management team has contributed to the board work according to some interviewees (n=4) in the sense that they have developed a deep understanding for how companies in general should be steered and controlled. Moreover, almost half of the interviewees have even been the founder and/or owner of a company.

“A seat in the management team is different from that on the board (...). My experience from the management team has been useful as it further broadened my understanding for various challenges a company may face and how time consuming these can be to deal with. It helps me as a director to set realistic expectations on the management team” (Int_21)

Moreover, some of the interviewees (n=11) highlight that their experience as *CEO* has been of particular value, as it sensitised them to situations where the CEO was misrepresenting or not disclosing the whole picture.

“The perspective of the CEO is important for me. I am familiar with the position, which enables me to understand the CEOs situation better and also fill in the blanks when not all is said (...). Having the experience from being a CEO is something I am looking for when I am searching for new directors to boards”
(Int_18)

The ones who have experience from starting their own company, and emphasised it as important to be a *founder* (n=6) or *owner* (n=6) believe that it has contributed to their board work in the sense that they have a better understanding for the founder and her priorities in the respective company where they now sit on the board.

“Having started my own company gives me the unique perspective of an entrepreneur (...), and I have an easier time compared to some of the other directors to deal with the founder” (Int_3)

Each of the interviewees has been a *board director (unlisted)* whereby everyone thought it had contributed to the board work (n=22) and having the experience of being a *chairman of a board* has also contributed (n=10) before taking on the position that they have today. Having experience from board work in unlisted companies is something that all participants value highly as they have learnt how to deal with different situations that occur within the boardroom, for instance dismissing a CEO or raising capital.

“I was actually elected to this board as I had experienced a similar challenge that they were currently facing, a couple of years earlier in another company, which enabled me to take them through this challenge relatively easy” (Int_8)

Additionally, 16 of the interviewees have been active in boards in listed companies as well, whereof some of them mentioned this experience as valuable (n=9).

“The work in listed companies is more formalised (...) but having the experience from listed companies have helped me to professionalise boards in unlisted companies when needed” (Int_4)

4.1.3 SKILLS

In total, seven codes were identified that could be tied back to the category skills: *analytical skills*, *numerical ability*, *strategic mind-set*, *business acumen* and the ability to provide a holistic perspective. The last two consist of having experience from *entrepreneurship* and knowledge about *corporate governance* (see Table 3).

Table 3: Codes related to skills

| Skills | | | | | |
|--------|--------------------|--------------------|---|----------------------|--------------------|
| # | Code | # of participants* | # | Code | # of participants* |
| 1 | Numerical ability | 12 | 5 | Holistic perspective | 5 |
| 2 | Business acumen | 11 | 6 | Entrepreneurship | 5 |
| 3 | Strategic mind-set | 10 | 7 | Corporate governance | 3 |
| 4 | Analytical skills | 9 | | | |

* Number of participants who mentioned the code as a contributor to the board work

The single most important skill mentioned by the interviewees was to have *numerical ability* (n=12) and be able to rapidly understand trends, dependencies and the key assumptions. They believe that this skill gives them the possibility to scrutinise the work of the CEO and challenge the results.

"Having a thorough understanding about the numbers and what they are actually saying, has been useful for me in the board work" (Int_1)

Furthermore, nine of the interviewees claimed that *analytical skills* (n=9) are essential in order to contribute to the work in the board. To complement the ability to analyse, the interviewees mentioned that it is crucial to have a *strategic mind-set* (n=10) and have good *business acumen* (n=11).

"I have developed my strategic mind-set throughout the years as I have faced challenges and work environments that have demanded full attention and creative solutions, which has been useful in the board" (Int_10)

Another skill that was brought up as important for their work in the board is to have the ability to have a *holistic perspective* of the business and the surrounding environment (n=5).

"It is easier to deal with tough questions and situations when you can maintain a helicopter view (...) a change in one part of the business often leads to an unintentional consequence in another" (Int_13)

Two skills that further appeared to be important for board work are those of *entrepreneurship* (n=5) related to having previous start-up experience, and knowledge regarding *corporate governance* (n=3) relating to board formalities.

“My experience from start-ups has given me a certain perspective, where I understand the importance of having control over the liquidity (...). Suddenly you wake up and realise that the company has run out of money” (Int_19)

4.1.4 CHARACTERISTICS

Examining the *characteristics* of the interviewees, with regards to how these were used in the boardroom, resulted in 17 codes. All of the codes mentioned were assumed by the interviewees to have a relevant impact on how they contribute in their role as a director (see Table 4).

Table 4: Codes related to characteristics

| Characteristics | | | | | |
|-----------------|------------------------|--------------------|----|--------------------|--------------------|
| # | Code | # of participants* | # | Code | # of participants* |
| 1 | Challenging | 14 | 10 | Opinionated | 4 |
| 2 | Action-oriented | 9 | 11 | Inquisitive | 4 |
| 3 | Trial and error minded | 7 | 12 | Creative | 3 |
| 4 | Solution oriented | 7 | 13 | Courageous | 3 |
| 5 | Constructive | 7 | 14 | Pro-active | 3 |
| 6 | Driven | 6 | 15 | Self-aware | 3 |
| 7 | Integrity | 6 | 16 | Communicative | 3 |
| 8 | Curious | 5 | 17 | Socially adoptable | 3 |
| 9 | Self-confident | 5 | | | |

* Number of participants who mentioned the code as a contributor to the board work

The single most important characteristic - *challenging* - was mentioned by many of the participants (n=14). All of them highlighted that it is crucial to make your voice heard and to challenge others opinions. Three other codes were closely related to this one in terms of how the interviewees described it: *opinionated* (n=4), *courageous* (n=3) and *pro-active* (n=3).

“Small companies rely upon the competence of the board directors, whereby it is highly important that every board director dares to question one another” (Int_6)

The second most important characteristic, being *action-oriented* (n=9), was assumed to be important in order to ensure that actions were taken and that new ideas were brought up. This code could be linked to five other codes that appeared to have a related meaning to move things forward: *trial and error minded* (n=7), *solution oriented* (n=7), *driven* (n=6), *curious* (n=5) and *creative* (n=3).

“The most important part is to never stop doing or trying – just ensure that the potential downside is limited. (...) it is increasingly important to act fast as the competitive environment is changing constantly” (Int_7)

Another important code mentioned was being *constructive* (n=7), which revealed the importance to communicate and challenge the other directors as well as the management team constructively. This code could be associated with two other codes: *communicative* (n=3) and *socially adaptable* (n=3).

“How you communicate in the boardroom is very important (...). If you do not agree with a suggestion, criticise constructively” (Int_20)

Lastly, four of the codes appeared to cover a characteristic, which related to oneself and included the following: *integrity* (n=6), *self-confidence* (n=5), *inquisitive* (n=4) and *self-aware* (n=3).

“I feel more comfortable in my role as a director today, which I believe is important. (...) this enables me to stand up and prove my points, which I would say brings a lot of value to the discussions in the board” (Int_20)

Apart from the codes belonging to this category, the directors interviewed highlighted that they are the same person outside the boardroom as they are within it; nevertheless, some of the characteristics are enhanced in the boardroom.

4.2 SOCIAL CAPITAL

This section is structured according to the second theme in our theoretical framework and covers the two areas that constitute the term social capital, namely *bridging* (4.2.1) and *bonding* (4.2.2).

4.2.1 BRIDGING

The findings regarding *bridging* resulted in four codes that all relate to how the interviewees use their network as a way to bridge resources between the focal firm and their external network. The identified codes are labelled as followed: *recruitment*, *connecting people*, *help on substantive issues* and *discuss industry issues* (see Table 5).

Table 5: Codes related to bridging

| Bridging | | | | | |
|----------|-------------------|--------------------|---|----------------------------|--------------------|
| # | Code | # of participants* | # | Code | # of participants* |
| 1 | Recruitment | 17 | 3 | Help on substantive issues | 12 |
| 2 | Connecting people | 14 | 4 | Discuss industry issues | 10 |

* Number of participants who mentioned the code as a contributor to the board work

The majority of the interviewees are using their network to identify potential new recruits, either to the board or the management team (n=17). Having a large network can however be seen as mutually

beneficial, as most of the directors also have received inquiries themselves. In the end, productive networks are based on “give and take” mentality and achieving win-win outcomes.

“We were facing a challenge regarding regulations in the US, whereby we were in need of someone that had knowledge about this (...) I had a contact in my network that I knew had experienced a similar challenge and therefore asked if she could join the board in order to help us” (Int_4)

Apart from using their network as a source of recruitment, they are contributing by linking various contacts from their network to one another by *connecting people* (n=14). For example, three interviewees mentioned that they have recommended the CEO to speak to one of their network contacts in order to receive advice from someone who has experienced a similar challenge before.

“Your network is a valuable source in many ways (...) you can use it to set someone, that is in need of help, in contact with someone else who will be able to help in the issue of matter” (Int_13)

It also appears to be common to use the network as a source of *information on substantive issues* (n=12). For these issues, the network used consisted of people with whom the interviewee had close contacts, but also of people with whom the interviewee had not spoken to for years.

“Using ones network is not about getting benefits, it is about helping each other (...). I scratch your back, you scratch mine” (Int_16)

Having a network of people working in different industries is important for directors, as they can *provide industry expertise* while being an impartial source of knowledge and information (n=10). This is a good complement to the information presented by the CEO and enables the board to critically consider the provided information.

“It is good to have your network spread across different industries as you may find it useful to receive inputs from these people in different situations. (...) serve as a helping hand to understand the business from an independent point of view” (Int_22)

4.2.2 BONDING

The number of codes that could be attributed to *bonding* was significantly lower than for the other categories, as we only identified two of them: *collaboration between directors* and *open work environment* (see Table 6).

Table 6: Codes related to bonding

| Bonding | | | | |
|---------|---------------------------------|--------------------|---|-----------------------|
| # | Code | # of participants* | # | Code |
| 1 | Collaboration between directors | 15 | 2 | Open work environment |
| | | | | 9 |

* Number of participants who mentioned the code as a contributor to the board work

It became apparent, when studying the network of the board directors from an internal perspective that the majority of the interviewees valued the internal group dynamics highly. In other words, having a close *collaboration between directors* (n=15) was seen as a valuable contributor.

“Internal networks are important for creating an efficient board (...) almost a prerequisite for a successful board” (Int_2)

On a related note, two of the interviewees mentioned that they have been working on boards where directors have been forced to leave their position due to the poor dynamics in the group.

“No one listened to him, whereby he decided to leave his seat on the board” (Int_20)

Another aspect that appeared to be essential is that all directors dare to share their ideas and challenge each other in their opinions, in other words, having an *open work environment* is of great importance to ensure that the board leverages the full potential of its directors (n=9).

“I have been active in many boards, and I have learned that a major difference between good and bad boards lies in the working environment” (Int_7)

5 ANALYSIS

In the following chapter, we will present the analysis of our empirical results. The chapter starts by presenting an analysis of the findings related to the theme human capital (5.1), followed by an analysis of the theme social capital (5.2). Thereafter, a summary of the analysis is given, including a completion of our theoretical framework (5.3).

5.1 ANALYSIS OF HUMAN CAPITAL

This section covers the categories within the theme human capital: *education* (5.1.1), *work experience* (5.1.2), *skills* (5.1.3) and *characteristics* (5.1.4). Out of these four, *work experience* and *characteristics* are the most important categories and *education* the least important one followed by *skills*. The four categories with their sub-categories will be elaborated on in the respective sections below.

5.1.1 EDUCATION

Two sub-categories were identified that could be tied back to the category education: *non-formal education* (n=11) and *formal education* (n=6). As such, the *non-formal education* appeared to be of greater importance in contributing to the board work (see Table 7).

Table 7: Identified sub-categories within the category education

| Education | | | |
|-----------------------------|---------------------------|------------------------|----------------------------|
| Sub-category | # of participants* | Code | # of participants** |
| <i>Non-formal education</i> | 11 | Voluntary board course | 6 |
| | | Board related seminars | 6 |
| | | Mandatory board course | 5 |
| <i>Formal education</i> | 6 | University degree | 5 |
| | | MBA degree | 3 |

* Number of participants who mentioned at least one of the codes constituting the sub-category as a contributor to the board work

** Number of participants who mentioned the code as a contributor to the board work

Despite the relatively high numbers, eleven and six respectively, it became apparent throughout the interviews that the category education had a lower impact in terms of bringing additional resources to the board compared to the other categories. This finding goes somewhat against previous literature on general human capital, which sees education as an important pillar of the concept (e.g. Sturman, et al., 2008; Bailey & Helfat, 2003). The finding does also go against previous research on director human capital where researchers suggest that the education contribute to the directors' ability to execute their role as resource providers (Rose, 2007; Daily & Dalton, 1994). Our finding is not unexpected, as previous research to a large extent has studied the value of having an education from proxies, rather than the actual value created from having a university degree and how it is used in the boardroom. We would most certainly have arrived at the same conclusion as previous research, if we had used the same approach, since all participants in our study had a university degree.

Furthermore, an important distinction was identified between *non-formal* and *formal education*. This division partly exists in the literature on human capital, where Unger et al. (2011) distinguish between formal education and other training courses. However, our findings reveal that only *non-formal education*, including courses and seminars directly related to board work, contribute to the board work in terms of enabling the director to bring in supplementary resources. *Formal education*, on the other hand, has primarily been useful in the early stages of their career, in developing the skills required for a first job and to develop as a professional. This indicates that the human capital an individual has can be useful, to different extents, at different points in time.

5.1.2 WORK EXPERIENCE

The sub-categories identified related to the category of work experience were *previous board experience* (n=22), *specialist* (n=19), *executive position* (n=17), and *generalist* (n=12), where *previous board experience* was seen to be the most important one (see Table 8).

Table 8: Identified sub-categories within the category work experience

| Work experience | | | |
|----------------------------------|--------------------|---------------------------|---------------------|
| Sub-category | # of participants* | Code | # of participants** |
| <i>Previous board experience</i> | 22 | Board director (Unlisted) | 22 |
| | | Chairman of the board | 10 |
| | | Board director (Listed) | 9 |
| <i>Specialist</i> | 19 | Industry knowledge | 16 |
| | | Functional expertise | 11 |
| <i>Executive position</i> | 17 | CEO | 11 |
| | | Founder | 6 |
| | | Owner | 6 |
| | | Management | 4 |
| <i>Generalist</i> | 12 | Consultant | 11 |
| | | Different industries | 3 |

* Number of participants who mentioned at least one of the codes constituting the sub-category as a contributor to the board work

** Number of participants who mentioned the code as a contributor to the board work

The findings regarding the category *work experience* are in line with what previous literature have found, where it is suggested that pre-existing knowledge and skills are derived from prior professional experience (Hambrick & Fukutomi, 1991; Kor, 2003). However, our findings go beyond the mere presentation of work experiences and describe what dimensions that contribute in terms of supporting the firm's development.

The sub-category *previous board experience* is the most important one as all interviewees (n=22) mentioned this as a contributor to their board work. Having experience from directorship in other firms contribute in terms of enabling the directors to utilise knowledge gained from analogous situations and challenges. It further provides them with knowledge regarding agenda setting, which enables them to prioritise and focus on what truly matters. These findings are related to what

Beckman & Haunschild (2002) suggest about multiple directorships. This implies that the participants in our study value the knowledge they gained from a similar context. The 16 interviewees that had experience from both listed and unlisted boards reinforced this finding by stating that their experience from unlisted firms is most useful in their board work today. However, having experience from listed boards was considered helpful in situations where the growth and development of the unlisted company required a greater degree of structure and professionalism. This finding can be compared to what Kor (2003) states about how certain knowledge can be more or less applicable for a certain situation and it can be concluded that board directors in SMEs highly value related knowledge.

Furthermore, previous literature suggests that the knowledge board directors have can take the shape of in-depth understanding of an industry, or a wider perspective which brings in knowledge regarding a larger context (Kor, 2003; Demb & Neubauer, 1992; Hambrick & Fukutomi, 1991). This rather contradictory description was reinforced in our findings where it became apparent that being both a *specialist* and *generalist* contribute to the work in boards by providing them with different yet supplementary resources. Being a *specialist*, in terms of having industry knowledge or functional expertise, has been helpful as it provides specialised knowledge regarding historical developments, trends and future outlook. As such, the specialist can contribute to the board work by bringing in that certain area of expertise that has been developed throughout the years. Opposite to the *specialist* stands the *generalist*. Most of the participants who were included in this sub-category had a background within consulting, an experience that has enabled them to develop a toolbox for how to solve various problems as well as their strategic mind-set. Board directors having general knowledge are according to Forbes & Milliken (1999) particularly important for small firms where the management team may lack the strategic experience. The findings concerning the sub-categories *specialist* and *generalist* describe the nature of human capital as diverse, as the competencies one has can be either highly specific or general, while still offering supplementary resources to the board. This finding is closely related to what Hambrick & Fukutomi (1991) have suggested about the concept of human capital as being multi-faceted.

Lastly, to have held an *executive position* in a company before taking on a directorship is a valuable contributor to the board work. This finding goes in the same direction as previous research, in that it provides evidence that prior experience from executive positions builds human capital as one is exposed to a variety of strategic and governance related issues (Beckman & Haunschild, 2002). Having an executive position includes different roles, yet the most useful one in the context of SMEs is the CEO. This experience has provided the directors with an extensive understanding of the CEOs agenda and actions and the many dimensions a CEO needs to consider. This, in turn, enables the director to be more effective in decision-making and ensuring expectations and objectives are

realistic. Relatedly, Tian et al (2011) have noted that the experience of being CEO enables the director to better influence the work in the boardroom.

5.1.3 SKILLS

Two sub-categories were derived from the category of skills: *soft skills* (n=17) and *hard skills* (n=16). These were essentially equally important and contribute to the work in the board by providing additional resources (see Table 9).

Table 9: Identified sub-categories within the category skills

| Skills | | | |
|---------------------|---------------------------|----------------------|----------------------------|
| Sub-category | # of participants* | Code | # of participants** |
| <i>Soft skills</i> | 17 | Business acumen | 11 |
| | | Strategic mind-set | 10 |
| | | Holistic perspective | 5 |
| | | Entrepreneurship | 5 |
| <i>Hard skills</i> | 16 | Numerical ability | 12 |
| | | Analytical skills | 9 |
| | | Corporate governance | 3 |

* Number of participants who mentioned at least one of the codes constituting the sub-category as a contributor to the board work

** Number of participants who mentioned the code as a contributor to the board work

The importance of skills is in line with what previous literature on both boards and human and social capital have stated. It improves the work of the board (Unger, et al., 2011; Shen, 2005) as it complements the management team in terms of providing resources (Zahra & Pearce, 1989). Nevertheless, previous literature regarding what particular skills board directors are using in their work is inconclusive. Our study has identified two broader sub-categories that indicate which skills the board directors themselves consider useful.

The first sub-category, *soft skills*, is mainly about the long-term perspective of the company and includes the business acumen, a strategic mind-set and a holistic perspective. The ability to think strategically is developed from years of experience having faced several challenges in different business environments, and it contributes to the human capital which in turn is used in the board. Strategic awareness was also brought up by Pye & Pettigrew (2005) as crucial for the board work. Having a holistic perspective, on the other hand, may derive from having held executive positions, as proposed by Carpenter & Westphal (2001).

The second sub-category, *hard skills*, is more focused on the ability to understand numbers and think analytically. This skill is suggested to be particularly important for SMEs, as financial issues such as managing liquidity can be a challenging aspect these firms are facing. Having a deep understanding of the financial and operational metrics is therefore of great importance for directors of these companies.

5.1.4 CHARACTERISTICS

Four sub-categories have been identified within the category characteristics, whereby two of them appeared to be the most important ones: *forward thinker* (n=18) and *unafraid challenger* (n=16). The remaining two sub-categories have been denoted as: *strong self* (n=12), and *good communicator* (n=10) (see Table 10).

Table 10: Identified sub-categories within the category characteristics

| Characteristics | | | |
|----------------------------|--------------------|------------------------|---------------------|
| Sub-category | # of participants* | Code | # of participants** |
| <i>Forward thinker</i> | 18 | Action-oriented | 9 |
| | | Trial and error minded | 7 |
| | | Solution oriented | 7 |
| | | Driven | 6 |
| | | Curious | 5 |
| | | Creative | 3 |
| <i>Unafraid challenger</i> | 16 | Challenging | 14 |
| | | Opinionated | 4 |
| | | Courageous | 3 |
| | | Pro-active | 3 |
| <i>Strong self</i> | 12 | Integrity | 6 |
| | | Self-confident | 5 |
| | | Inquisitive | 4 |
| | | Self-aware | 3 |
| <i>Good communicator</i> | 10 | Constructive | 7 |
| | | Communicative | 3 |
| | | Socially adoptable | 3 |

* Number of participants who mentioned at least one of the codes constituting the sub-category as a contributor to the board work

** Number of participants who mentioned the code as a contributor to the board work

Previous research on human capital has during the last decades started to include personal characteristics as a potential cornerstone (Lepak, et al., 2006; Wright, et al., 2001). Nevertheless, not much has been written about it, whereby this part of the study contributes by presenting the characteristics that appear to be most valuable and useful to possess in the boardroom.

The majority of the interviewees stated that being a *forward thinker* is vital to contribute in the boardroom. Being action oriented and ensuring that things gets done could be argued to be even more important in SMEs, as they face challenges to survive which derive from an ever more competitive landscape characterised by a high level of uncertainty and many strategic redirections (Gabrielsson, 2007). Moreover, these firms often have a strong focus on growth, which further demonstrates the need for people with a strong drive. These circumstances make it necessary to always be at the forefront and ensure that the company is running in the right strategic direction.

The second most prominent characteristic – being an *unafraid challenger* – focuses on the ability to raise uncomfortable questions, and thereby challenge the other board directors as well as the

management team. This characteristic can be related to the culture in active boards, where directors possess a willingness to challenge (Nadler, 2004). The use of questioning encourages the other board directors to develop their own ideas and thoughts in order to present thorough arguments for or against a specific proposition. It further pushes them to present all relevant information, which in turn enables the board to arrive at the best possible decisions. This could be related to what Nadler (2004) says about high-performing groups, where it is suggested that the group will perform better if the directors challenge each other. Additionally, it could be assumed that this characteristic has increased in importance as new regulations in Sweden emphasise the individual directors' contribution, instead of only focusing on the board as a collective group⁴.

Closely related to the *unafraid challenger*, stands the *strong self*. This sub-category could best be explained by having the self-confidence and the integrity to speak out with conviction and thereby demonstrate the courage to express a contrary point of view. This could be understood in the light of the importance of maintaining independence to contribute effectively as suggested by Demb & Neubauer (1992). As such, the directors need to have the courage to swim against the tide to add most value in the boardroom. To be silent or simply go with the wind will not help the firm develop.

The last identified sub-category – being a *good communicator* – focuses on how directors communicate with one another and stresses the need to constructively criticise and communicate. On a related note, an effective work environment can only be made possible if all directors respect each other and value the input generated. If done wrongly, a director may be side-lined and therefore not able to influence the board work at all.

5.2 ANALYSIS OF SOCIAL CAPITAL

This section covers the two categories within the theme social capital: *bridging* (5.2.1) and *bonding* (5.2.2). Both categories appeared to be important, yet bridging came across as the most essential one.

5.2.1 BRIDGING

Two sub-categories were identified that are related to the category of bridging: *human connectivity* (n=20) and *extended knowledge* (n=15). These were both important in the director's contribution to the board work (see Table 11).

⁴ <http://www.styrelseakademien.se/web/page.aspx?refid=150>

Table 11: Identified sub-categories within the category bridging

| Bridging | | | |
|--------------------|--------------------|----------------------------|---------------------|
| Sub-category | # of participants* | Code | # of participants** |
| Human connectivity | 20 | Recruitment | 17 |
| | | Connecting people | 14 |
| Extended knowledge | 15 | Help on substantive issues | 12 |
| | | Discuss industry issues | 10 |

* Number of participants who mentioned at least one of the codes constituting the sub-category as a contributor to the board work

** Number of participants who mentioned the code as a contributor to the board work

Bridging which builds on an extensive network can be compared to having one extra arm to reach out with when additional resources are required. This finding emerged through the interviews and is in line with previous research, which suggests that board directors are considered to link the firm with their internal and external environment and act as a strategic resource for securing supplementary resources to the firm (Pfeffer & Salancik, 1978) and providing an interface for exchange to take place (Granovetter, 1973). Moreover, Pfeffer & Salancik (1978) argue that the company's success is a result of how well the board manages to get access to the resources required by utilising their own social capital. The findings from our study indicate that the supplementary resources gained from the participants' network are of various kinds, which will be described in further detail below.

The first sub-category defined was *human connectivity*, and is related to the director's contribution by providing contacts through their network in order to recruit people or connect people with each other. This is helpful both for the owners in their decision regarding the recruitment of new board directors as well as for management who may need to strengthen their team. As such, the directors provide an interface for exchanges to take place (Granovetter, 1973), which can benefit both the board as well as the management team.

The second sub-category revealed that board director's use bridging in order to *extend knowledge* and connect with people who possess relevant competencies. The use of one's network thereby contribute as it enables the director to reach out to people with certain knowledge on specific issues, such as legal questions, which in turn closes the resource gap they may face. This can be related to strong or weak ties (Cook & Whitmeyer, 1992; Granovetter, 1973), which is seen as a highly valuable source of knowledge for SMEs, since they often lack the monetary resources required to bring in external expertise.

Accessing additional resources through ones network does further suggest that the social capital one possesses can complement the lack of human capital in certain areas. This confirms what previous studies have found (Coleman, 1988; Loury, 1987). Extending ones social capital will therefore most likely result in an increased availability of human capital through others. As such, the development of human and social capital can be compared to a virtuous circle. Nevertheless, a prerequisite for this to

occur involves the individual's ability to possess, share and absorb information obtained from their internal and external network (Borgatti & Cross, 2003).

5.2.2 BONDING

One sub-category was identified which could be tied back to the category bonding: *group dynamics* (n=16) (see Table 12).

Table 12: Identified sub-categories within the category bonding

| Bonding | | | |
|-----------------------|---------------------------|---------------------------------|----------------------------|
| Sub-category | # of participants* | Code | # of participants** |
| <i>Group dynamics</i> | 16 | Collaboration between directors | 15 |
| | | Open work environment | 9 |

* Number of participants who mentioned at least one of the codes constituting the sub-category as a contributor to the board work

** Number of participants who mentioned the code as a contributor to the board work

As existing literature highlights, it is of great importance that the board directors are open for collaboration and see it as part of their work to ensure that the board functions as a cohesive team (Coulson-Thomas, 1991). Many of the participants in our study emphasised this as well, and pointed out that regardless of the resources they are able to provide, they cannot be put to effective use if the group as a whole does not collaborate. As such, the bonding part of social capital could in our study best be understood as a necessary condition that has to be fulfilled in order for the directors to use their full potential as resource providers rather than being a resource in itself. Collaboration and chemistry between the directors can therefore be seen as two vital components for creating high-performing boards. Many of the directors mentioned the importance of having an understanding for other persons and it can be concluded that being a people-person is valuable as it often contributes to the common understanding of issues and good group dynamics.

Despite the value of having a close collaboration, previous literature does also stress that it is equally important that all directors maintain their independence to avoid groupthink (Bowman & Kakabadse, 1997). The participants also brought this up and took the reasoning further by explaining that the phenomenon 'groupthink' far too often results in poor decisions.

5.3 SUMMARY OF ANALYSIS

This section summarise the empirical findings and analysis presented above and starts by making a completion of the theoretical framework (5.3.1). This is followed by a brief discussion where we elaborate on the findings presented in the framework (5.3.2).

5.3.1 COMPLETION OF THEORETICAL FRAMEWORK

We found that the participants exhibit their role as resource providers around 46 different codes, which could be grouped into 15 sub-categories. The six different categories initially developed in the theoretical framework and derived from existing literature captured all sub-categories from the study. This implies that all categories appeared to be relevant in the context of unlisted SME and that no adjustments regarding the categories was required. As such, our theoretical framework presented in section 2.4 has been completed below (see Figure 6).

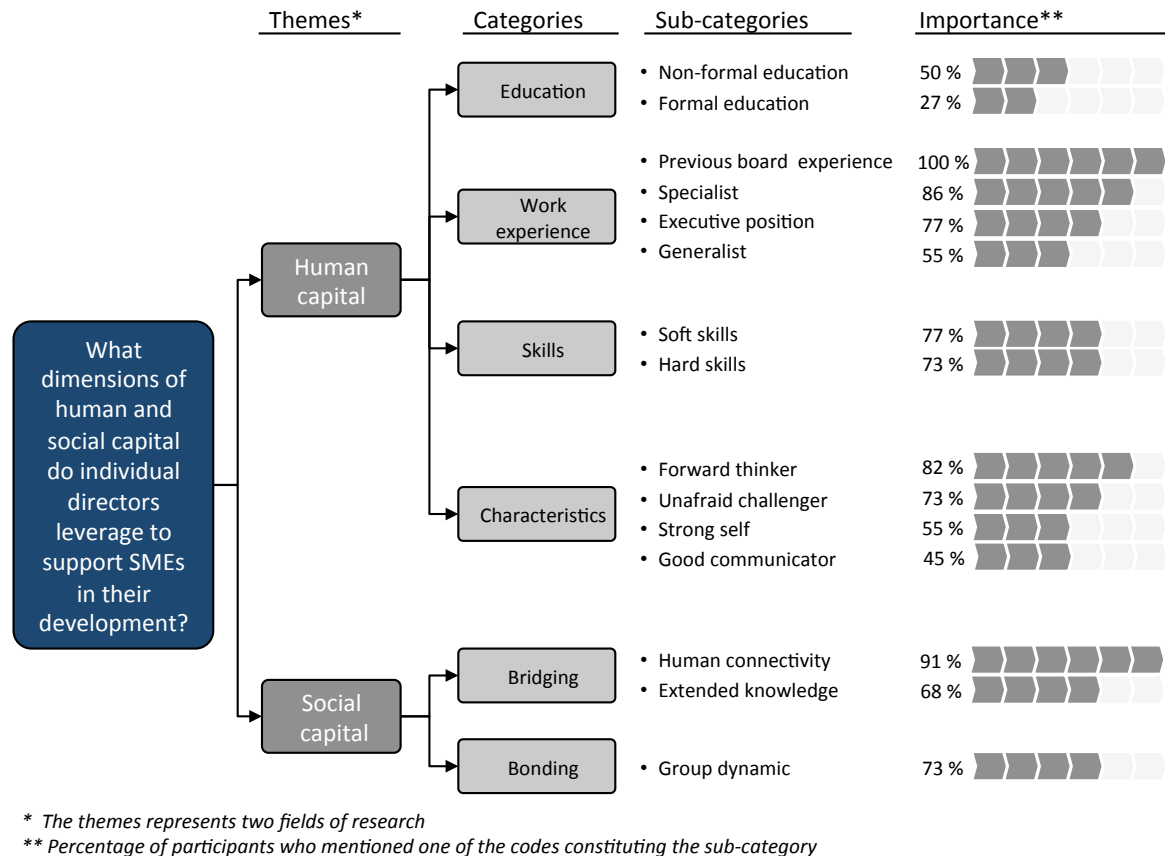


Figure 6: Completion of theoretical framework

All 15 sub-categories are incorporated in the framework as all of them reflect important dimensions of the participant's human and social capital that they leveraged in their board work. Their respective importance have in turn been determined by identifying how many of the participants that mentioned *at least one* code, constituting the sub-category. This number has then been compared to the sum of all participants (n=22), which has enabled us to calculate the percentage of the participants who considered the sub-category as important.

The large amount of codes and sub-categories implies that the participants do not uniformly describe their roles and it can be assumed that the roles directors play in SMEs as resource providers are

heterogeneous. It further illustrates the multiplicity embedded in the two concepts of human and social capital. Even though the participants do not have a shared opinion about how they contribute as resource providers, four sub-categories were considered to be the most important ones ($n_{\#} \geq 18$; $n_{\%} \geq 82$): *previous board experience*, *human connectivity*, *specialist*, and *forward thinker*. This suggests that these four sub-categories have the highest consensus among the interviewees and therefore can be seen as the most shared dimensions of how individual directors contribute to the board work. Three of the sub-categories (*previous board experience*, *human connectivity* and *specialist*) are supported by existing literature that highlights the importance of possessing the experiences, networks and skills that are embedded in them (Beckman & Haunschild, 2002; Johnson, et al., 2013; Westphal & Fredrickson, 2001). The last one (*forward thinker*) is lacking support in existing theory. This is not surprising as scholars fairly recently have started to devote attention towards also including personal characteristics when studying the human capital of directors.

5.3.2 ELABORATION OF FINDINGS

Despite having chosen to denote four of the sub-categories as the most important ones, it should be mentioned that all sub-categories identified were considered to contribute to the work in the board. In fact, only two out of the 15 identified sub-categories were mentioned by less than 50% of the interviewees. Even though directors do not uniformly describe their role, these high numbers across sub-categories indicate that they at least have a common view regarding a number of experiences and characteristics that are helpful to possess as a director. The extensive number of sub-categories and their meaning further confirms the multiplicity of the concepts of human and social capital that is stated in existing theory (Hambrick & Fukutomi, 1991; Kor, 2003).

The nature of human and social capital is multi-faceted and the two concepts differ from each other as well. Human capital focuses on the individual's background, experiences and characteristics (Sturman, et al., 2008; Lepak, et al., 2006), whereas social capital focuses on how the individual can access supplementary resources through her network (Hillman & Dalziel, 2003). As such, we assumed, when setting up our framework, that the former would capture more extensive and detailed findings regarding the individual's contribution, and therefore result in more granular answers. This assumption has been supported by our empirical findings and is illustrated in the framework where the directors' human capital is built around four categories, and 12 sub-categories. This can be compared to the findings, which are tied back to social capital and builds around two categories and three sub-categories. This implies that the directors relate most of their contribution to the board work to their human capital. We believe that this phenomenon can be better understood by considering that the directors might first leverage their human capital as a first step, and then as a second step their social capital if required. In other words, the directors will look to solve problems or challenges by drawing upon their own experiences and capabilities before reaching out to others through their social capital.

The multiplicity and heterogeneity among the different subcategories is in itself an interesting finding and can be understood from the context in which SMEs operate. Gabrielson (2007) describes how the great uncertainty and frequent strategic re-direction create unique challenges for each individual SME. These challenges may be particularly difficult to overcome when the internal resources are scarce (Gabrielsson & Huse, 2005). The lack of internal resources, combined with the limited number of board seats, makes it highly important that every director can provide the management team with specific supplementary resources to overcome the challenges (Forbes & Milliken, 1999; Castaldi & Wortman, 1984). This is reinforced by the fact that SMEs often lack the monetary resources to bring in outside expertise. It is therefore essential that the owners identify potential directors with *the right type* of capital which complement existing directors' and management's knowledge. This explains the multiplicity and heterogeneity we observed and is in line with what could be expected.

Moreover, it became apparent throughout the interviews that the success of a directorship is as much about having the right character (*characteristics*) as the right competence (*education, work experience, skills*). This could be understood from the theoretical framework where four sub-categories (*forward thinker, unafraid challenger, strong self and good communicator*) were identified within the category characteristics, and all of them came across as important. As such, the competence can be understood as a necessary requirement that enables the possibility to become a director. Character, on the other hand, may be what is differentiating and essential to leverage ones competence. The competence one possesses becomes less valuable, if you are not able to use your knowledge and voice your opinions in the board setting. This finding supports the increased attention towards the dimension of characteristics within human capital (Leblanc & Schwartz, 2007), and paves the way for further studies.

To conclude, it appears that dimensions relating to both human and social capital are perceived as important contributors in the role as resource providers for the interviewed directors. This finding confirms what previous research has been able to conclude, where both human and social capital is assumed to affect strategic decisions of the firm (Jensen & Meckling, 2004; Carpenter & Westphal, 2001; Judge & Zeithaml, 1992). Nevertheless, the findings from this study goes beyond the rough measures, and provide a more detailed picture of the dimensions constituting director human and social capital.

6 CONCLUDING REMARKS

The final chapter concludes by addressing our research question (6.1). This is followed by a presentation of the theoretical (6.2) and practical (6.3) contribution of our study, before discussing the limitations that this research has faced (6.4). The chapter concludes by providing suggestions for future research (6.5).

6.1 ADDRESSING THE RESEARCH QUESTION

The increased importance of the individual director in today's business environment is reflected in the literature where many scholars recently have started to devote more attention towards the individual director. Despite attempts to better understand the director and her contribution, research is still lacking an answer to what characterises the best directors and how they contribute to the firm development. Many scholars have taken the concepts of human and social capital as a starting point to understand the individual's contribution. While progress has been made, the findings within this area are still lacking a systematic classification of directors' human and social capital. Moreover, many of the attempts made have used demographical proxies to reflect the directors' human and social capital and not based it on a more detailed understanding of the ways in which the individual leverages her capital in practice.

The purpose of our thesis was therefore to explore how individual board directors unlock and leverage their human and social capital in their role as resource providers in SMEs, and in supporting these firms' development from a practical perspective. Specifically, we were guided by the following research question:

What dimensions of human and social capital do individual directors leverage to support SMEs in their development?

A qualitative interview study with 22 experienced board directors from unlisted SMEs in Sweden was conducted to answer the research question. The findings from the study have been summarised in a framework which suggested that the participants' human and social capital, that was leveraged in the boardroom, could be organised around 15 different dimensions, denoted as sub-categories in the framework above (see Section 5.3.1). All 15 were perceived as important as they contributed to the board work. Four dimensions were mentioned most frequently and therefore came across as particularly useful: *previous board experience*, *human connectivity*, *specialist*, and *forward thinker*.

The 15 sub-categories reflect dimensions of human and social capital on a detailed level and are built upon the directors' perception of their contribution to the firm development. The results deepen our understanding of human and social capital with respect to how they are manifested in the boardroom.

In particular, the results enhance our knowledge about how human and social capital can be transformed into valuable means by researching how they are put into practice. As such, the results from this study go beyond the existing rough measures provided by earlier literature.

6.2 THEORETICAL CONTRIBUTION

The findings of our study add to the current literature in three important ways. Firstly, the study complements the existing research on boards as it sheds light on the individual director's role in unlisted SMEs and further develops the knowledge about the board director as a resource provider, which extends and develop the literature on resource dependency theory and resource based view theory.

Secondly, while the concepts of human and social capital have been researched before, this study makes new contributions to the field by breaking out the components that constitute the two concepts in the context of boards. Our theoretical framework illustrates what types of human and social capital that directors utilise in their board work to provide companies with additional resources. The framework is simple in its design and serves as a basis for future research on individual director's contribution to the board by offering initial steps towards a testable model.

Lastly, the use of a qualitative approach contributes to the two bodies of theory as the majority of existing research within the fields has been developed through quantitative studies. The qualitative approach has primarily enabled us to create a better understanding of the different dimensions of human and social capital that individual directors are leveraging, but has also enabled us to get closer to the inner-workings of boards.

6.3 PRACTICAL CONTRIBUTION

The findings from our study do not only have theoretical implications; they also have practical implications for owners and board directors as presented below.

Firstly, our hope is that our findings will help owners by providing them with guidelines that can be useful when identifying additional or replacing directors to the board. The guidelines reflect the different dimensions of human and social capital that appear to be relevant for directors in SMEs today. Having these in mind, owners will be better equipped to identify relevant director candidates and to assess their qualifications more thoroughly.

Secondly, given that many directors today are unsure about the expectations on them and the role they should play, we believe that they would benefit from having a better understanding of how other experienced directors leverage their human and social capital in support of firm development. As

such, our hope is that future directors will learn from our study by using the findings as advice to guide them in how they best can utilise their human and social capital and develop into more prominent directors.

6.4 LIMITATIONS

As with all empirical studies, this thesis has limitations that are important to bring attention to in order to interpret the results correctly.

First of all, as our study focuses solely on the individual director, the results generated from the interviews are based on the interviewees' perception of themselves. We have not taken into account their interaction with other board directors and how these perceive the director's impact, whereby there has been no verification from other sources. This limitation was partly possible to overcome by conducting face-to-face interviews where we could probe on and ask for clarifications.

Moreover, we have not made any attempt to explain the relationship between the individual's contribution and the firm's performance. Our results only give an explanation for how the board directors, through their human and social capital, provide value-adding resources to the firm according to themselves.

Another potential shortcoming worth mentioning lies in the coding process. As the codes are generated from the transcripts of the interviews, they are generated based on our own interpretation of the data. This might be problematic as it introduces a potential bias in conducting the study. However, we tried to limit this by coding the data individually prior to comparing the results and adjusting them, if necessary, before finalising the generated codes presented in our thesis.

Given the above-mentioned limitations, the findings of the study should be interpreted with care until it has been replicated in a range of settings using also other methodologies. This is also of great importance to strengthen the academic relevance of the findings.

6.5 AVENUES FOR FUTURE RESEARCH

Over the course of this research we have come across a number of interesting fields to explore, which are presented below. These have emerged as the most important ones as they would broaden the understanding of how board directors in unlisted SMEs are leveraging their human and social.

Firstly, we have throughout this study sought to explore the different components of human and social capital that board directors utilise in their board work, yet we see a need to further specify the underlying theoretical construct regarding these concepts. In other words, it has been challenging to

sort our findings into mutually exclusive sub-categories, as many of our findings could be interpreted in multiple ways. One example is as follows: Having experience from the consulting industry may indicate that the director has gained certain knowledge regarding problem solving and strategic thinking (human capital), but it may also be interpreted as having a network of talented connections spread across different industries (social capital). As such, scholars should try to further distinguish between the two concepts and create a theoretical foundation for them.

Another avenue for future studies concerns the level of analysis. The majority of studies have focused their attention on an aggregated level by studying the board as a collective group of individuals while our focus has been on the individual directors. An interesting approach that would broaden the understanding of the individual's contribution and increase the understanding of the group as a whole would be to study human and social capital by utilising a multi-level approach. In other words, it would be interesting to carry out a study that sheds light on the individual director and the board as a collective group simultaneously. This could potentially be done by researching all directors in the same board.

Besides the proposals for future research that have been mentioned above, another research route that could be interesting concerns the relationship between board effectiveness and directors' personal contribution. This topic is still unexplored, yet would significantly clarify the importance of the various dimensions of human and social capital that we have presented in this study. This, in turn, would enable us to define what kind of directors should be sought to maximise the performance of the firm.

By bringing attention to this central and scarcely understood subject, this thesis paves the way for further research in the area of individual board director's contribution in terms of human and social capital. Even though considerable progress has been made up until today in mapping the multitude of theories within the field, much work remains to be done. The good news is that this area will continue to be of interest for both theoreticians and practitioners as boards are under intense scrutiny and the pressure on individual board directors is ever increasing⁵.

⁵ <http://www.pwc.com/us/en/corporate-governance/publications/board-effectiveness.jhtml>

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APPENDIX 1 – INTERVIEW GUIDE

Interview guide

This study is a part of our master thesis in Business and Management at Stockholm School of Economics. Our aim is to create a better understanding of the board director in unlisted SMEs and through that explore how individual board directors contribute to the board work. This will be made possible by conducting 22 interviews with directors from boards of SMEs in Stockholm, Sweden.

We assure you that your answers will be kept confidential and that you and the company remain anonymous in our thesis.

Overview

| | |
|---------------------|-------------|
| Name | _____ |
| Title/position | _____ |
| Organisation | _____ |
| Industry | _____ |
| Headquarter | _____ |
| Turnover | _____ mSEK |
| Number of employees | _____ |
| Size of board | _____ |
| Number of ED/NED* | _____/_____ |

* Executive directors/Non-executive directors

Questionnaire

[A] Background

1. Could you briefly tell us about your background?
 - Educational (where, length)
 - Work experience (where, position, length)
 - Other experiences/merits/competences
2. Could you describe why you chose to join this board and when?
3. Do you have any previous experience from working on a board?
 - If yes: What company? Size of the company? What industry? Was the board composition similar to this board?

[B] Description of the board dynamics

1. Could you briefly explain what your role is on the board?
2. How has the board developed since you joined?
 - Size
 - Type of tasks performed
 - Level of formality
 - Content of board meeting agenda
3. Do you see any differences in working on a board for a large company versus small company?
4. Do you see any differences in working on a board for a listed company versus unlisted company?

[C] Identification of challenges, critical situations or milestones

1. Could you briefly describe what kind of *challenges*, *critical situations* or *milestones* that have occurred since you joined the board?
2. How often does/do this/these situation(s) occur?
3. How do the board become aware of the situation?

[D] Response and action taken with regard to challenges, critical situations or milestones

1. What do you do that help or is effective?
2. What do you do that does not help or is ineffective?
3. How would you describe your engagement?
4. Are there any parts of your background that came across particular useful for solving the issue?
 - If yes: Why? How?

[E] Identity of the interviewee

1. How would you describe yourself as a person?
2. What are the most important characteristics of you?
3. Have your characteristics been useful in your work as a board director?
4. How would you describe your personal (internal and external) network?
 - Do you see your network as a useful asset in your board work?
 - How do you use your network in you board work?

[F] Concluding questions

1. Is there anything we didn't ask you that you think is important for us to know about?

APPENDIX 2 – PRESENTATION OF INTERVIEW SAMPLE

| Interview sample | | | | | | | |
|------------------|--------|----------------------|---------------------|--------------------------------|-------------------------|----------------------------|--------------------------|
| | Gender | Background education | Background work | Turnover (mSEK) ^{a,b} | # of empl. ^a | Size of board ^a | # of ED/NED ^c |
| Int_1 | Female | Business/Science | Industry | 65 | 50 | 3 | 1 ED / 2 NED |
| Int_2 | Man | Business | Industry | 302 | 60 | 6 | 3 ED / 3 NED |
| Int_3 | Man | Science | Consulting/Industry | 268 | 88 | 5 | 3 ED / 2 NED |
| Int_4 | Female | Business | Consulting/Industry | 270 | 27 | 6 | 3 ED / 3 NED |
| Int_5 | Man | Business | Consulting/Industry | 39 | 13 | 4 | 2 ED / 2 NED |
| Int_6 | Man | Business | Industry | 103 | 42 | 6 | 4 ED / 2 NED |
| Int_7 | Man | Business/Science | Consulting/Industry | 361 | 84 | 5 | 3 ED / 2 NED |
| Int_8 | Female | Science | Consulting/Industry | 262 | 27 | 6 | 3 ED / 3 NED |
| Int_9 | Man | Science | Consulting/Industry | 105 | 22 | 5 | 4 ED / 1 NED |
| Int_10 | Man | Business | Industry | 278 | 152 | 5 | 2 ED / 3 NED |
| Int_11 | Man | Science | Industry | 12 | 10 | 5 | 2 ED / 3 NED |
| Int_12 | Man | Business | Industry | 20 | 17 | 5 | 2 ED / 3 NED |
| Int_13 | Female | Business | Industry | 244 | 186 | 7 | 4 ED / 3 NED |
| Int_14 | Man | Business | Industry | 178 | 239 | 7 | 4 ED / 3 NED |
| Int_15 | Female | Business | Industry | 133 | 63 | 4 | 2 ED / 2 NED |
| Int_16 | Man | Science | Consulting/Industry | 126 | 85 | 5 | 0 ED / 5 NED |
| Int_17 | Female | Science | Consulting/Industry | 253 | 173 | 8 | 1 ED / 8 NED |
| Int_18 | Man | Business | Industry | 310 | 111 | 4 | 2 ED / 2 NED |
| Int_19 | Man | Business | Industry | 120 | 57 | 4 | 1 ED / 3 NED |
| Int_20 | Female | Science | Consulting/Industry | 246 | 186 | 5 | 2 ED / 3 NED |
| Int_21 | Female | Business | Industry | 93 | 183 | 6 | 3 ED / 3 NED |
| Int_22 | Man | Business/Science | Consulting/Industry | 254 | 60 | 5 | 3 ED / 2 NED |

^a www.allabolag.se, ^b FY 2013, ^c Executive directors/Non-executive directors

APPENDIX 3 – PRESENTATION OF INTERVIEW SETTING

| Interview setting | | | | |
|--------------------------|-------------------------|--------------------------|----------------------------|-----------------------|
| Interviewee | Industry | Date of interview | Lenght of interview | Interview type |
| Int_1 | Telecommunication | 23-mar-15 | 46 min | Face-to-face |
| Int_2 | Retail | 23-mar-15 | 45 min | Face-to-face |
| Int_3 | Telecommunication | 24-mar-15 | 38 min | Telephone |
| Int_4 | Pharmaceutical | 09-apr-15 | 52 min | Face-to-face |
| Int_5 | Accounting & Consulting | 09-apr-15 | 56 min | Face-to-face |
| Int_6 | Retail | 10-apr-15 | 65 min | Face-to-face |
| Int_7 | Pharmaceutical | 10-apr-15 | 37 min | Face-to-face |
| Int_8 | Pharmaceutical | 10-apr-15 | 46 min | Face-to-face |
| Int_9 | Machinery & Equipment | 13-apr-15 | 44 min | Face-to-face |
| Int_10 | Media | 13-apr-15 | 35 min | Face-to-face |
| Int_11 | Food wholesale | 14-apr-15 | 47 min | Face-to-face |
| Int_12 | Consulting | 14-apr-15 | 40 min | Face-to-face |
| Int_13 | Telecommunication | 15-apr-15 | 39 min | Telephone |
| Int_14 | Retail | 16-apr-15 | 35 min | Face-to-face |
| Int_15 | Pharmaceutical | 16-apr-15 | 42 min | Face-to-face |
| Int_16 | Real Estate | 17-apr-15 | 76 min | Face-to-face |
| Int_17 | Hospital | 17-apr-15 | 40 min | Face-to-face |
| Int_18 | Telecommunication | 17-apr-15 | 47 min | Telephone |
| Int_19 | Retail | 17-apr-15 | 57 min | Face-to-face |
| Int_20 | Retail | 20-apr-15 | 43 min | Face-to-face |
| Int_21 | Pharmaceutical | 20-apr-15 | 34 min | Face-to-face |
| Int_22 | Real Estate | 20-apr-15 | 45 min | Face-to-face |

APPENDIX 4 – DESCRIPTION OF CODES

| Description of codes | | | | |
|----------------------|-----------------|----------------------------------|---------------------------------|--|
| Theme | Category | Sub-category | Code | Description |
| Human capital | Education | <i>Non-formal education</i> | Voluntary board course | Taking part in voluntarily board courses, lengts: stretches over a longer period |
| | | | Board related seminars | Taking part in board related seminars, lenght: maximum 1 day |
| | | | Mandatory board course | Taking part in mandatory courses due to directorship in listed firms |
| | | <i>Formal education</i> | University degree | Having a university degree in either science, economic or both |
| | | | MBA degree | Having an MBA degree |
| Human capital | Work experience | <i>Previous board experience</i> | Board director (Unlisted) | Having experience from being a board director in a unlisted company |
| | | | Chairman of the board | Having experience from being chairman of the board |
| | | | Board director (Listed) | Having experience from being a board director in a listed company |
| | | <i>Specialist</i> | Industry knowledge | Having many years of experience from a certain industry, e.g. pharmaceutical or retail |
| | | | Functional expertise | Having held the same position for many years (and within different companies), e.g. logistic manager |
| | | <i>Executive position</i> | CEO | Having experience from being CEO |
| | | | Founder | Having experience from being the founder |
| | | | Owner | Having experience from being the owner |
| | | <i>Generalist</i> | Management | Having held a position in the management team |
| | | | Consultant | Having worked as a management consultant |
| | | | Different industries | Having experience from various industries |
| | | | Business acumen | Having a business sense |
| | | | Strategic mind-set | Having strategic awareness |
| Human capital | Skills | <i>Soft skills</i> | Holistic perspective | Having the ability look at things from above, maintaing a helicopter perspective |
| | | | Entrepreneurship | Having experience from having worked with start-ups |
| | | | Numerical ability | Being good with numbers and metrics |
| | | <i>Hard skills</i> | Analytical skills | Having an analytical ability |
| | | | Corporate governance | Having deep knowledge about board formalities |
| | | | Action-oriented | Being a doer, ensuring that things get done |
| | | | Trial and error minded | Having a trial and error mentality, better to work with an interative approach |
| | | <i>Forward thinker</i> | Solution oriented | Focusing on the solution, rather than discussing other things |
| | | | Driven | Ensuring that things get done |
| | | | Curious | Being curious and ask the questions: why? why? why? |
| Human capital | Characteristics | <i>Unafraid challenger</i> | Creative | Being creative and generating many ideas |
| | | | Challenging | Daring to challenge by questioning one another |
| | | | Opinionated | Having strong opinions |
| | | | Courageous | Raising difficult and uncomfortable questions |
| | | <i>Strong self</i> | Pro-active | Ensuring that things gets discussed and act pro-actively |
| | | | Integrity | Having the integrity to stand up yourself and your opinions |
| | | | Self-confident | Being self-confident |
| | | | Inquisitive | Daring to ask stupid questions |
| | | <i>Good communicator</i> | Self-aware | Being self-aware |
| | | | Constructive | Giving constructive feedback and complaints |
| | | | Communicative | Being a good communicator in terms of communicate clearly |
| | | | Socially adoptable | Having the ability to talk and communicate with a diverse set of people |
| | | | Recruitment | Using ones network to identify new recruits to either the board or the management team |
| | | <i>Human connectivity</i> | Connecting people | Connecting people whom has relevant competence that others could gain from |
| | | | Help on substantive issues | Taking advantage of people in the network who has relevant competence in a certain area, e.g. legal issues |
| | | | Discuss industry issues | Discussing industry specific issues with experts, e.g. trends and regulations |
| Social capital | Bonding | <i>Group dynamics</i> | Collaboration between directors | Ensuring close collaboration between directors |
| | | | Open work environment | Creating an environment where everyone share their ideas and challenge each other in their opinions |

APPENDIX 5 – ANALYSIS OF EMPIRICAL RESULTS

| Theory | | | Analysis | | | | Empirics | | | | | | | | | | | | | | | | | | | | | |
|-------------------|----------------------|---------------------------|-------------------------|---------------------------|---------------------------------|------------|----------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------------|---|
| Themes | Category | Sub-category | # of participants* | Code | Int_1 | Int_2 | Int_3 | Int_4 | Int_5 | Int_6 | Int_7 | Int_8 | Int_9 | Int_10 | Int_11 | Int_12 | Int_13 | Int_14 | Int_15 | Int_16 | Int_17 | Int_18 | Int_19 | Int_20 | Int_21 | Int_22 | # of participants** | |
| Human capital | Education | Formal education | 6 | University degree | | | | | 1 | | | | | | | | | 1 | 1 | 1 | 1 | 1 | | | | | 5 | |
| | | MBA degree | | | | | | | | | | | | | | | | 1 | | | | | 1 | 1 | 1 | 1 | 3 | |
| | Non-formal education | | 11 | Voluntary board course | | | | | | | | | | 1 | 1 | | | 1 | | | | 1 | | | 1 | 1 | 6 | |
| | | Mandatory board course | | | | | | 1 | | | | | 1 | | | | | | 1 | | | | 1 | 1 | 1 | 1 | 5 | |
| Human capital | Work experience | Board related course | | | | | | | | | | | | 1 | | | | 1 | | | | 1 | 1 | 1 | 1 | 1 | 6 | |
| | | Generalist | 12 | Consultant | | | | 1 | 1 | 1 | | | 1 | 1 | | | 1 | | 1 | 1 | | 1 | 1 | 1 | 1 | 1 | 11 | |
| | | | | Different industries | | | | 1 | | | | 1 | | | | | | | | | | | | | 1 | | 3 | |
| | | Specialist | 19 | Industry knowledge | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 16 | |
| | | | | Function expertise | 1 | 1 | 1 | 1 | 1 | 1 | | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | | | 1 | 1 | 1 | 11 | |
| | | Executive position | 17 | Founder | 1 | 1 | | | | | | | | 1 | | | | 1 | | 1 | | | | 1 | | | 6 | |
| | Skills | | | Owner | 1 | 1 | | | | | | | 1 | | | | 1 | | | | | | | | 1 | 1 | 6 | |
| | | | | CEO | 1 | 1 | | | | 1 | 1 | 1 | 1 | | | | 1 | | | | | 1 | 1 | 1 | | | 11 | |
| | | | | Management | | | | | | | | | | | | | | | | | 1 | 1 | 1 | | 1 | | 4 | |
| | | Previous board experience | 22 | Chairman of the board | | | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | | | | 1 | 1 | 10 | |
| | | | | Board director (Unlisted) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 22 | |
| | | | | Board director (Listed) | | | | 1 | | | | | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 9 |
| Human capital | Hard skills | | 16 | Analytical skills | 1 | | | | | | | 1 | 1 | 1 | 1 | 1 | 1 | | | | 1 | 1 | 1 | 1 | 1 | 9 | | |
| | | | | Numerical ability | 1 | 1 | 1 | 1 | 1 | 1 | | | 1 | | | | 1 | 1 | 1 | | | 1 | 1 | 1 | 1 | 12 | | |
| | | | | Corporate governance | | | | | | | | | | 1 | | | | | | | | | | | | 3 | | |
| | | | | Strategic mind-set | | | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | | | 1 | 1 | 1 | | | | | | 10 | | |
| | Soft skills | 17 | Business acumen | 1 | 1 | 1 | 1 | 1 | | | 1 | 1 | | | | 1 | | | | | 1 | 1 | 1 | 1 | 1 | 11 | | |
| | | | | | Holistic perspective | | | | | | | | | | 1 | 1 | 1 | 1 | 1 | 1 | | | | | | 1 | 5 | |
| | | | Entrepreneurship | 1 | | | | | | | | | | 1 | | | | 1 | | | | 1 | 1 | | | 5 | | |
| | Characteristics | Strong self | 12 | Self-confident | | | | 1 | 1 | | | | 1 | 1 | | | | | 1 | | | | | | | 5 | | |
| | | | | | | Self-aware | | | | | | | 1 | | | | | | 1 | | 1 | | | | | | 3 | |
| | Human capital | Unafraid challenger | 16 | Inquisitive | | | | 1 | | | | | | | | | | 1 | 1 | 1 | | | | | 1 | 1 | 4 | |
| | | | | | Integrity | 1 | | | | 1 | | | 1 | | | | | | | 1 | | | | 1 | 1 | 1 | 6 | |
| | | | | | Courageous | | | | | | | | 1 | | 1 | | | | | | | | | 1 | 1 | 3 | | |
| | | | | | Opinionated | 1 | | | 1 | 1 | 1 | | | | | | | | | | | | | | 1 | 1 | 4 | |
| Good communicator | | 10 | Challenging | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | | | | 1 | 1 | 14 | | |
| | | | | | Pro-active | | | | | | | | | | | | | | | | 1 | 1 | 1 | 1 | | 3 | | |
| | | | Communicative | | | | | | | | | | | | | | | 1 | | | | 1 | | | 3 | | | |
| | | | Socially adoptable | | | | | | | | | | | | | | | 1 | | | | | | 1 | 1 | 3 | | |
| Forward thinker | | 18 | Constructive | 1 | | | | 1 | | | | | | 1 | | | | 1 | 1 | 1 | | | | | | 7 | | |
| | | | | | Driven | | | | | | | | | | 1 | | | 1 | 1 | 1 | 1 | 1 | | | 1 | 1 | 6 | |
| Social capital | Human connectivity | 20 | Action-oriented | | | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | | | | | | 1 | 9 | | |
| | | | | | Trial and error minded | | | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | | | | | 1 | 7 | | |
| | | | | | Creative | 1 | | | | | | | | 1 | | | | | | | | 1 | 1 | | | 3 | | |
| | | | | | Curious | | | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | | | | | | 5 | | |
| | | | Solution oriented | 1 | | | | 1 | | | | | 1 | | | | 1 | 1 | 1 | 1 | 1 | 1 | | | 7 | | | |
| | | | Recruitment | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 17 | | |
| | Extended knowledge | 15 | Connecting people | | | | | | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 14 | | |
| | | | | | Help on substantive issues | | | | 1 | | | | | 1 | | | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 12 | |
| | Group dynamics | 16 | Discuss industry issues | | | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 10 | | |
| | | | | | Collaboration between directors | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 15 | |
| Social capital | Bonding | Open work environment | 9 | Open work environment | 1 | 1 | | | 1 | | | | | 1 | | | | | | 1 | 1 | 1 | 1 | 1 | 9 | | | |

* Number of participants who mentioned at least one of the codes constituting the sub-category as a contributor to the board work

** Number of participants who mentioned the code as a contributor to the board work