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The role and influence of board members on Non Departmental Public Bodies:
A stakeholder perspective

By

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Abstract

Over 12,000 men and women serve on the boards of the United Kingdom's national public bodies, of which there are approximately 1,100. These non-executive board members have been appointed by a Minister or by the Queen on the advice of a Minister and are considered servants of the Crown rather than employees of the State. Despite the prolific growth in board research over the last 20 years, empirical research on the perceptions of such board members as to their role and how they function is limited. In the context of the distinctive position occupied by Non Departmental Public Bodies (NDPBs) at arm's length from their Ministers, this exploratory study adopts a stakeholder perspective of NDPB boards' relationships with their Ministers to examine the moderating influence that these relationships have on how boards function in their NDPBs' strategic decision-making processes. Through the use of a convenience sample and in-depth interviews with board members from a range of NDPBs in Scotland, this thesis shows that NDPB boards' political proximity influences the nature of these boards' functioning in a number of ways. It places NDPB board members in a position of bounded choice during the strategic decision-making processes, it creates an environment where NDPB boards function as a hybrid team, and it encourages NDPB board members to strategically manage their relationship with the Minister to earn greater autonomy over the strategic direction of their NDPB. These findings offer a unique insight into the behavioural factors that underpin NDPB boards' functioning, and an alternative perspective from which to study the role of boards in public sector governance.

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1. Introduction

1.1 Introduction

The influence of the New Right on public sector reforms led to the current structure of non-elected non-executive boards being introduced into national public bodies in the late 1980s and early 1990s (Ferlie *et al.*, 1996a). Over 12,000 men and women serve on the boards of over 1,100 national public bodies in the United Kingdom (Cabinet Office, 2009) yet despite the volume of individuals involved in these organisations, little is known about what they do or how they do it. Indeed, there are only a limited number of empirical studies of public sector boards and those that have taken place tend to be government funded, based on large quantitative studies, reliant on secondary sources of data, focused on the boards of organisations in the areas of health and education or reliant on theoretical frameworks developed in the context of private sector boards.

The theoretical frameworks currently used to study public sector board activity are heavily influenced by the field of board research, which has three dominant characteristics. Firstly, it is dominated by studies of the structure, composition and roles of boards in large shareholding corporations in the private sector (Daily *et al.*, 2003, Pettigrew, 1992b, Roberts *et al.*, 2005), which has diverted attention away from behavioural and relational considerations that underpin how boards function in and around the boardroom (Huse, 2005, Pettigrew and McNulty, 1995). In seeking to redress this balance, there is consensus amongst scholars that further insights into the 'inner workings' of boards must be gained in order to sustain theoretical progress in this area (Brundin and Nordqvist, 2008, Clarke, 1998b, Petrovic, 2008, Roberts *et al.*, 2005).

Secondly, the agency theory perspective of board activity dominates the literature (Durisin and Puzone, 2009, Minichilli *et al.*, 2009, Pye and Pettigrew, 2005). It is based on the premise that "the primary role of boards is to monitor actions of agents (executives) to ensure their efficiency and to protect principals' ("owners") interests" (Zahra and Pearce, 1989 p293). However, agency theory has attracted considerable criticism in recent years due to "its 'undercontextualized' nature" (Filatotchev and Boyd, 2009 p259) and its inability to take into consideration the differences in institutional contexts (Aguilera *et al.*, 2008).

Thirdly, in seeking to gain an insight into board dynamics, "most current board research tends to treat the board as a homogeneous unit, taking actions on the basis of some sort of statistical mean of characteristics, backgrounds and experiences of those involved" (Hambrick *et al.*, 2008 p382). Such studies do not take into consideration the hybrid team structure that underpins the composition of the board and the inherent power differentials that arise as a result of the heterogeneous nature of board members' experience and expertise.

It is against this backdrop that this thesis contributes to the current field of public sector board research by carrying out an independently funded, qualitative study of Non Departmental Public Body (NDPB) boards in the United Kingdom. In addition, it adopts a stakeholder perspective of the relationship between a Minister and a NDPB board to gain an insight into how the relationship between the two parties influences how NDPB boards function in a strategic decision-making context.

This thesis has two primary aims. The first aim is to challenge the generalisability of research findings between public and private sector boards, particularly those findings derived as a result of using an agency theory framework. The grounds for this challenge are threefold. Firstly, although the composition of non-executive boards in the public sector is based on a private sector board model (Ferlie *et al.*, 1996a), this thesis is of the view that the role and position of a board within a modern shareholding corporation is fundamentally distinct from the board of a NDPB. NDPB board members are public appointees who are appointed by a Minister or by

the Queen on the recommendation of a Minister (Cabinet Office, 2009) and in employment law terms they are servants of the Crown rather than employees of the organisation (Duddington, 2003). This places NDPB board members in a distinctive position in relation to their Minister and raises questions as to the extent to which the intended role of a NDPB board is realised in situ. Secondly, the distinctive nature of public sector ownership structure, financing, profit motive and political proximity of a NDPB exerts an influence over the role and composition of its board. In particular, it restricts the domain of decision problems delegated to a NDPB board in comparison with the board of a shareholding corporation in the private sector. Thirdly, this thesis is of the view that the restricted domain of decision problems delegated to a NDPB board influences the nature of its agency relationship with its Minister. It challenges the generalisability of the agency theory perspective frameworks in particular that are conventionally used to study private sector boards and which have formed the basis of public sector board studies. Instead, it turns to stakeholder theory to offer an insight into the characteristics of the relationship between a NDPB board and its Minister because it takes into consideration the relational nature of the public sector environment in which NDPB boards operate.

The second aim is to explore the influence that the relationships between NDPB boards and their Ministers have on the role of a board and how it functions in a decision-making context with a view to informing future research in this area. Research into public sector boards to date tends to focus on gaining an insight into the role of the board as a control mechanism or as a means of enhancing performance as scholars have sought to evaluate the effectiveness of public sector reforms. In contrast, this thesis aims to draw from stakeholder theory to gain an insight into the nature of the relationship between the NDPB board and its Minister. Having identified the characteristics that define the parameters of the relationship between the NDPB board and its Minister, the implications of this relationship are discussed in the context of the boards' role in their NDPB strategic decision-making processes.

1.2 Research assumptions

In pursuit of these two primary aims, this research makes four key assumptions. It assumes: firstly, that the cumulative influence of the factors that shape the structure or composition of an organisation or group defines its "tasks and responsibilities, work roles and relationships and channels of communication" (Mullins, 2002 p906); secondly, that the services provided by NDPBs are of political significance to Ministers; thirdly, that the ownership structure, financing, profit motive (Boyne, 2002, Mullins, 2002, Perry and Rainey, 1988, Rainey *et al.*, 1976) and political proximity of each industry sector are distinct, and each exerts an influence over the role, composition and functioning of a NDPB board; and finally, that there are two "relatively pure categories" (Healy and Perry, 2000 p192) of the economy - the public sector referring to those organisations associated with the government structure, the private sector effectively referring to all other organisations (Healy and Perry, 2000). More specifically, private sector organisations are assumed to be "those created by individuals or groups for market or welfare purposes" and are "ultimately accountable to their owners or members" and public sector organisations are those "created by government for primarily political purposes" (Farnham and Horton, 1999 p27). The last two assumptions are intended to set the parameters for this research. By assuming the presence of two 'pure' sectors this thesis does not deny the presence of a 'third' voluntary sector. Instead, the organisations that would fall into this category are assumed to fall within the private sector for the purposes of this research.

1.3 Research inspiration

The inspiration for this research came from completing a number of professional mandates to recruit board members with strategic experience in the private sector for a broad range of public sector boards in Scotland. Having been privy to the selection process for board members, curiosity questioned the extent to which the political

proximity of NDPB boards to government influences their role and responsibilities, and how they function.

Scholars such as Ferlie and Ashburner (for example, Andresani and Ferlie, 2006, Ashburner *et al.*, 1993, Ferlie *et al.*, 1995, Ferlie *et al.*, 1996b, Ferlie *et al.*, 2003, Ferlie *et al.*, 1994) have inspired this research through the insights that their work offers into the context and environment in which public sector boards operate. In addition, the work of Paul Nutt (for example, Nutt, 1999, 2000a, b, 2001, 2002, 2006, 2007) has been influential due to the insights that he offers into the differences between public and private sectors of industry and the impact that they have on the strategic decision-making processes of organisations. Finally, scholars such as McNulty (for example, 1996, 1999, 2005), Roberts (for example, 2001, 2002, 2005, 1999) and Stiles (for example, 2001, 2003, 1996, 2001) have been instrumental in directing the focus of this research towards the dynamic nature of NDPB board behaviour. McNulty, Stiles and Roberts are particularly inspiring because their work has overcome historical difficulties associated with gaining access to elites by drawing from their own networks of contacts to gain access to non-executive directors from leading UK FTSE companies for the purposes of qualitative research. These writers present findings that depict board activity to be dynamic, fluid and multi-faceted, a direct contrast to previous work that has relied on publicly available documentation as its primary source of data. They also carried out their research after the publication of the Cadbury Report's recommended Code of Practice (Cadbury, 1992), which led to changes in the reporting practices demanded of companies listed on the London Stock Exchange (Dedman, 2000, 2002, Gay, 2001). This research has similar goals in that it aims to draw from an established professional network of contacts within the NDPB arena to facilitate access to non-executive board members, conduct empirical research that provides an insight into the dynamic relationship-driven nature of how NDPB boards function by analysing the experiences of non-executive board members, and carry out research at a time when there is research evidence to suggest that the Nolan Committee and OCPA principles are well established (Audit Scotland, 2010).

1.4 Research terminology

For the purposes of this research, the term 'Accountable Officer' is used to refer to the Chief Executive of a NDPB on the basis that "Designation of the Chief Executive (or equivalent) of a sponsored body as an Accountable Officer should, as a general rule, be made where the accounts of the sponsored body are laid before the Parliament or where significant public funds are under its stewardship" (Scottish Government, 2011). The term 'sponsor department' refers to the government department that has a responsibility for applying "a framework of control, accountability and review" to the NDPB in question (Scottish Government, 2006). In addition, in line with Scottish Government terminology used in the Model Management Statement/Financial Memorandum (Scottish Government, 2010a) issued in relation to NDPB boards, any use of the term "chairman" is not intended to be gender-biased. Furthermore, to ensure consistency throughout the thesis, any definitions used in relation to NDPBs are taken from Scottish Government documentation unless stated otherwise. The justification for using Scotland as the focus for this study is discussed further in Chapter 5.

1.5 Overview of thesis structure

Chapter 2 positions this study of NDPB boards within the current field of public sector board research. It begins by providing an overview of the empirical research that has taken place into public sector board activity and discusses the limitations of its findings. It then questions the generalisability of research findings from private sector board research as a means of informing studies of public sector board activity. This approach highlights the distinctive nature of the ownership structure that underpins public sector organisations and the impact that this has on the nature of the agency relationship between the board of a public sector body and the Minister to whom it reports. The chapter concludes by proposing that the distinctive nature of the agency relationship between a board and its Minister in the public sector challenges the applicability of the theoretical frameworks conventionally used to

study board activity. It supports this view by discussing the limitations of these frameworks, particularly the agency theory framework, in the context of their reliance on principles originating from the separation of ownership from control within modern shareholding corporations.

Chapter 3 provides a sector specific insight into the role, composition and functioning of a NDPB board to illustrate the impact that the public sector environment has on the domain of decision problems delegated to a NDPB board in the context of its agency relationship with its Minister. To achieve this, the chapter is written in two parts. The first part examines the impact that public sector ownership structure, financing, absence of profit motive and political proximity have on the role and composition of NDPB boards. This discussion highlights the distinctive position occupied by a NDPB board in relation to government. It also highlights this study's overarching extrinsic influence perspective of boards that is in direct contrast to the majority of extant public sector board studies, which focus their attention on the internal environment. The second part draws from the organisational behaviour literature to gain an insight into how a NDPB board functions as a workgroup. It highlights the public sector specific characteristics of NDPB boards, draws attention to the hybrid team structure that underpins the composition of the NDPB board, discusses the influence of the hybrid team structure on the internal board dynamics, and highlights a number of moderating variables that exert an influence over the way in which the board functions at any particular point in time. The chapter concludes by presenting a conceptual model of the sector specific influences that shape the role of a NDPB board and how it functions, which in turn illustrates the relational nature of organizational life that shapes the domain of decision problems delegated to a NDPB board by its Minister.

Chapter 4 offers an insight into the moderating influence that the relationship between a NDPB board and its Minister has on the role of the board and how it functions in a decision-making context. To achieve this, Chapter 4 comprises two parts. The first part turns to stakeholder theory and stakeholder management theory to gain an insight into the nature of the relationship that exists between a NDPB

board and its Minister. It is against this backdrop that it proposes that the relationship has four dominant characteristics: a) both parties enter into a formal relationship with each other; b) the power dynamic of the relationship is based on formal and informal sources of power; c) both parties manage their relationship with each other; and d) the relationship is subject to the influence of other stakeholders. The second part of the chapter discusses the intended role of a NDPB board in the strategic decision-making processes of its organisation and thus provides the context for this study. By applying the insights gained from this discussion to the findings from the previous chapter, it is proposed that the relationship between a NDPB board and its Minister has a moderating influence over how the board functions. This discussion leads to five core research questions, which form the basis of the empirical research. They are: 1) Is the role of a NDPB board in the ministerial and organisational strategic decision-making processes influenced by its relationship with its Minister?; 2) Do board members feel that they can influence the nature of their relationship with their Minister?; 3) Does the nature of the relationship between a NDPB board and its Minister evolve over time?; 4) Does the relationship between a NDPB board and its Minister influence the board's other stakeholder relationships?; and 5) What influence does the hybrid team structure of a NDPB board have on the way in which board members communicate with each other?

Chapter 5 outlines the methodological approach used to gather and analyse the data used to address the questions raised during Chapter 4. It begins by discussing the methodological approaches traditionally associated with board research and setting out the steps taken in an attempt to overcome such obstacles. It is against this backdrop that the discussion then moves to justify the choice of using a convenience sample for the purposes of one-to-one interviews with NDPB board members as the primary mode of data collection. Having outlined the steps taken to ensure the integrity of the data collected, the chapter then outlines how NVivo software has been used to facilitate the data analysis. The chapter concludes by discussing the limitations of the methodological approach used, acknowledging the extent to which author bias potentially infiltrated the data collection and analysis stages of the process, and how this was addressed.

Chapter 6 presents the findings from this research by addressing each of the research questions identified in Chapter 4 in turn. To provide support for the findings and to give a flavour of the data on which the findings are based, quotations from interview transcripts are used. To maintain the confidentiality of the data source, the comments are anonymised. The chapter concludes by discussing the limitations of the findings.

Chapter 7 discusses the implications of the findings in three stages. The first stage discusses the stakeholder characteristics of the relationship between a NDPB board and its Minister. The second part discusses the extent to which a NDPB board's relationship with its Minister influences its role in the strategic decision-making processes of their organisation. To achieve this, it draws attention to board members' perceptions of the difference between their intended role on the board and the actual role they perform, discusses the influence of sector on the domain of decision problems delegated to NDPB boards, and discusses the moderating effect of the relationship on the dynamics of the board. The chapter concludes by discussing the extent to which the findings from this research contribute towards the overall aims of this thesis.

Chapter 8 concludes this thesis by discussing the extent to which the relationship between a NDPB board and its Minister has a moderating effect on the role of the board and how it functions in three ways. The relationship places NDPB board members in a position of bounded choice during the NDPB's strategic decision-making process, it encourages NDPB board members to strategically manage their relationship with the Minister to earn greater autonomy over the strategic direction of their NDPB, and it creates an environment where NDPB boards function as a hybrid team. The chapter concludes by evaluating the contribution that these findings make to the current field of board research, discussing the limitations of this research, and suggesting an agenda for future research.

2. Current public sector board research

2.1 Introduction

The aim of this chapter is to position this study of NDPB boards within the current field of public sector board research. It has three objectives. The first is to provide an overview of research into public sector board activity, the second is to discuss the limitations of current work in this area, and the third is to challenge the generalisability of findings between studies of public and private sector boards.

To achieve these objectives, the chapter begins by drawing from the field of board research to highlight the scarcity of independently funded, qualitative empirical research into public sector board activity, the majority of which has taken place within the context of theoretical debates in areas such as public sector governance, public sector management and public sector reform. It then highlights the difficulties involved in applying the range of theoretical frameworks conventionally used to analyse and/or explain board activity in the private sector to the study of NDPB boards due to the distinctive nature of the agency relationship between a NDPB board and its Minister that arises out of the NDPB's position within the public sector. By adopting this approach, the chapter acknowledges the research assumptions outlined in section 1.2, in particular the assumption that current studies of boards can be categorised into two groups to reflect the two relatively pure categories of the economy: studies of public sector boards and studies of private sector boards. The following chapter presents a sector specific insight into the role, composition and functioning of NDPB boards to illustrate the impact that the public sector environment has on the domain of decision problems delegated to a NDPB board in the context of its agency relationship with its Minister.

2.2 Current research into boards of public sector organisations

Although a considerable volume of research into the role of boards in corporate governance has been carried out by scholars internationally, such research within the public sector is less developed (Clatworthy *et al.*, 2000). Instead, research into public sector board activity often overlaps with research in the areas of public sector governance, public sector management and public management reform due to the central position that boards occupy at the nexus between political control and managerial autonomy (Yesilkagit, 2004) and the implications that the introduction of non-elected board members into the public sector has on the democratic decision-making process (Bourdeaux, 2007). Many governments and public service organisations across the world are trying to ensure that the efficiency and effectiveness of public services is underpinned by strong governance principles. For example, in the course of their discussion of governance issues for public sector boards, Australian scholars, Howard and Seth-Purdie (2005), draw attention to the work of Bartos (2005), Halligan (2005) and Rhodes (1997), who have examined "the implications of the board governance movement for broader paradigmatic shifts in administration and governance" (Howard and Seth-Purdie, 2005 pS6). Ferlie *et al* (2003 pS1) draw attention to the contrasting approaches undertaken by the United States of America, where "public services have undergone initiatives based on reinvention and re-engineering", and France and Canada, where "there are movements towards decentralization and regionalization". In addition, Wise (2002 p556) directs his attention to the Nordic countries, which have pursued "egalitarian social and economic outcomes through public policies and employment practices". In the United Kingdom considerable organisational restructuring has taken place in the pursuit of greater efficiency and value for money (Ezzamel and Willmott, 1993) and public administration scholars seek to address "the dilemma of how to infuse professional policy knowledge into democratic decision-making" (Bourdeaux, 2007).

Although interest in public sector board activity within the United Kingdom dates back to at least the 1950s when Clegg and Chester (1953) published an insight into the history, organisation and work of the North of Scotland Hydro-Electric Board,

the majority of recent research has been prompted by programmes of public management reform. In particular, research is dominated by studies of boards in the National Health Service (NHS) as: a) the reform of the NHS was statutorily imposed and "previous forms of authorities with direct or indirect local authority influence and democratic accountability [were] removed and the new board model introduced" (Ferlie *et al.*, 1996a p117); and b) this 'new board model' was based on private sector ideologies, in particular the "concept of market-based competition and the attempt to create a more entrepreneurial ethos" (Ferlie *et al.*, 1996a p117). Research also has a tendency to focus on gaining an insight into the composition and structure of public sector boards and evaluating the efficiency of non-executive boards as governance mechanisms and as a means of improving organisational performance. It is only in recent years that the effectiveness of governance structures has attracted increasing scrutiny and public comment (Clatworthy *et al.*, 2000).

During the late 1980s and early 1990s, in the wake of the Thatcherite period of public sector reform, public sector boards in the United Kingdom were at the centre of a number of high profile financial and governance scandals. Harrison's (1998) assessment of boardroom practice in the National Health Service (NHS), for example, draws attention to four particularly high profile cases of governance failure during this time, as illustrated in Figure 1, which exposed the boards of a number of health authorities as having acted as 'rubber stamps' for executive decisions rather than protecting the interests of the taxpayer (Ferlie *et al.*, 1995).

"These scandals, which themselves became something of a *cause celebre* concerned:

- "shortcomings" in the West Midlands RHA (Committee of Public Accounts, 1993)
- mismanagement in the Wessex RHS (Great Britain H.M. Treasury, 1993)
- inadequate financial management in South Birmingham Health Authority (Committee of Public Accounts, 1994); and
- a crisis in London Ambulance Service (Wells, 1995)"

Figure 1: Examples of public sector governance scandals during the 1990s
Source: Harrison (p141)

These scandals highlighted discrepancies in the degree of accountability and financial control undertaken by non-executive public sector boards prompting

research into the effectiveness of the boards' role as a governance mechanism. For example, in the wake of Wessex Regional Health Authority's waste of £20m on the RISP information system that hit the newspaper headlines in 1992 and a number of controversies surrounding the changing of data definitions in the electorally sensitive matter of NHS waiting lists (Sheaff and West, 1997), the NHS Executive funded a task force on corporate governance to shed light on the ethical issues associated with challenges to the notion of accountability. As part of the initiative to inform the task force's work, Sheaff and West conducted "a survey of current attitudes to issues of probity [...] among all chairmen, executives and non-executives on RHAs [Regional Health Authorities], DHAs [District Health Authorities], FHSAs [Family Health Authorities] and NHS trusts" (p192). This insight into the ethical values of those tasked with the governance of the trusts provided unexpected results. Findings suggested that "NHS board members with a predominantly NHS background appear less ethically conservative, more flexible and less risk-averse than those recruited from non-NHS backgrounds" (p189). However, although their findings are presented on the basis of 2,600 completed questionnaires, Sheaff and West also acknowledge that a number of survey participants had raised concerns about the structure of some of the research questions, indicating that they felt some of the questions were open to a broad range of interpretations. Nevertheless, given the circumstances in which this research was commissioned, such findings present a scarce insight into the attitudes and values of board members within the public sector arena at this point in time.

The Nolan Committee was "established in 1994 to deal with concerns about unethical conduct amongst MPs, including accepting financial incentives for tabling Parliamentary questions, and issues over procedures for appointment to public bodies" (www.public-standards.gov.uk, accessed 27 August 2009). The Committee made a number of recommendations, two of which are particularly significant in the context of this discussion. Firstly, it included the introduction of a Code of Practice to focus greater attention on the expected behaviour associated with its public servants. The Code highlighted seven principles of behaviour that were believed to embody the characteristics of public service, ministerial responsibility, merit,

independent scrutiny, equal opportunities, probity, openness and transparency, and proportionality (Committee on Standards in Public Life, 2008). Secondly, it led to the establishment of the Office of the Commissioner for Public Appointments (OCPA) "to regulate the processes used by Ministers to make appointments to the boards of national and regional public bodies" (accessed 29 September 2010, www.publicappointmentscommissioner.org). There is some evidence to suggest that the new appointments process has brought greater integrity to the appointments process, however such findings are presented by the Public Administration Select Committee (2002-2003) so the objectivity of their findings may be questioned.

Prior to the establishment of OCPA, which is the "sole system-wide regulator of its kind" (McTavish and Pyper, 2007 p147), the appointment of members to non-elected bodies was influenced by "Richard Crossman, the Labour Secretary of State for Health who introduced the principle of representative membership bringing in the tripartite composition of professionals, local authority representatives, and lay members" (Ferlie *et al.*, 1996a p125-126). The Conservative government that followed Crossman's period in office attracted criticism for its apparent use of "patronage to appoint Conservative supporters to key positions" (*ibid.*, p119) in public sector bodies. The establishment of a regulated appointments process by the Nolan Committee therefore represents a means of negating the perception that non-elected boards of public bodies are the product of patronage or representativeness, as it encourages such appointments to be made on the basis of merit (Office of the Commissioner for Public Appointments, 2005). It is noted however that despite such intentions, the introduction of a regulated process has also been criticised for "impoverishing traditional concepts of public accountability and leading [...] the way to an 'appointee state' (Weir and Hall, 1994), which is neglectful of community interests" (Ferlie *et al.*, 1995 p377). Furthermore, the lack of detailed description of these provisions by the Nolan Committee has attracted criticism in relation to the difficulties involved in translating their recommendations into practice (Doig and Wilson, 1998).

Since the introduction of OCPA within the United Kingdom, research into the effectiveness of boards as vehicles of public sector reform has taken place in the context of a regulated environment (Addicott, 2008). Amidst the abundance of studies into the boards of NHS organisations, the work of a team from the Centre for Corporate Strategy and Change at the University of Warwick and research undertaken by Harrison (1998) provides examples of such research. In 1990, the Centre for Corporate Strategy and Change team took part in a project to assess the impact of the NHS *Working for Patients* reforms. Their aim was not to examine the effectiveness of boards, it was to identify "the extent to which private sector models have influenced not just structures and personnel but the way that boards define their role and modes of operation" (Ferlie *et al.*, 1996a p140). Funded by the NHS Training Directorate, with the support of the National Association of Health Authorities and Trusts, the team adopted a longitudinal and comparative case study approach between 1990 and 1993. Tasked with studying "the composition, formation, behaviour and impact of the restructured post-1990 health authorities" (Ferlie *et al.*, 1996a p252), their findings identify an increase in the level of involvement of boards in strategic matters during this time period, indicating a shift in focus from that of the traditional rubberstamp board to one that is more strategically involved. They concluded with the view that boards are dynamic, organic entities having observed boards develop and adapt to respond to the changes in their structure and focus.

Harrison (1998) also carried out a piece of research aimed at assessing board room practice within English District Health Authorities, during which "data were collected from a postal survey of all the DHA [District Health Authority] Executive and Non-Executive directors within three English Regional Health Authorities (which had a response rate of 74.4%) during the course of 1993/94 and from three longitudinal case studies during the course of 1994/95" (1998 p142). His work aimed to examine board behaviour for the characteristics associated with corporate governance - direction, executive management, accountability and supervision - as put forward by Tricker (1984) in his highly acclaimed study of the strategic role of

the board. But where Ferlie *et al* (1996a) focused on the influence that the new structure had on governance issues and board activity, Harrison (1998) examined board activity for evidence of governance. Although Harrison's findings indicated the presence of the behaviours associated with governance, he also found that "... only 18.6% reported that there was a clearly defined sense of corporate identity" (1998 p145). Although his use of a postal survey mechanism and his notable lack of attempt to validate his findings through alternative methods of data collection are open to criticism, his findings reflect the turbulent environment in which the boards were operating at the time regardless of extent to which he failed to integrate these circumstantial factors into his discussion.

In addition to studies of the impact of the new reforms, research was also undertaken at this time to examine the role of the public sector board. In effect, these studies set to one side the question of whether or not such boards are effective in favour of gaining an insight into what they do. Prior to the publication of his critique of empirical research into public sector boards, coupled with his findings from an intensive study of NHS Trust board performance, Peck (1993) published two key pieces of research (1993a, b) in *NHS Trusts in Practice*, a book he co-edited with Spurgeon. In this, he uses empirical research to examine the potential roles of non-executives on an NHS Trust board as well as their current role. The publication of his work chronologically precedes the aforementioned work of Ferlie *et al* (1995) that was undertaken to assess the impact of the *Working for Patients* initiative (Department of Health, 1989). Their work is significant, however, because it took place over a period of approximately 18 months and examined board activity within two Regional Health Authorities, three District Health Authorities, two family health service authorities and four trusts. As a result, their findings provide significant insights into the activities carried out by board members and the way in which the boards interact. In particular, their research found that the composition of the board had been affected by OCPA due to the greater proportion of board members had been appointed on the basis of merit. However, their findings also indicate that those appointed based on merit experience a greater sense of emotional distance from the organisations' purpose than those appointed in a representational capacity.

Research into the role of the public sector board is not limited to the health sector. Work has also been carried out within the areas of education and local government but empirical research in this area is scarce. Three studies are however of note. Firstly, Levacic, in her review of "recent research on how school governing bodies are fulfilling their intended function" (1995 p35), refers to the work of Kogan *et al* (1984), who conducted a major study of school governing bodies in the 1980s, and Sallis (1993) who outlines the governance responsibilities of school governors. Both authors draw attention to the presence of significant ambiguity surrounding the primary role of the governing body. In an unreferenced quote, Levacic refers to Kogan *et al* (1984), who found, "it is expecting a lot of the members of any institution that they should operate as rulers, advisers, mediators and assistants at one and the same time and doubly difficult when they belong to an institution that is as spasmodic in its operation as a governing body". In effect, by identifying the multi-faceted perceptions as to its role, their findings pre-empted later work in the private sector arena by scholars like McNulty and Pettigrew, who highlight the importance of recognising the dynamic, multi-faceted nature of the role rather than seeking to assign the board a single function. Secondly, Farrell (2005) is often cited for her research into the strategic role of a school's governing body. Her work relies on analysis techniques honed in the private sector however the transferability of the findings from her research do take into consideration how the position of a school within a local government jurisdiction rather than at a national level affects the governing body's strategic role. Thirdly, the work of Cornforth and Edwards (1999) seeks to gain an insight into role of boards in the strategic management of two education and two voluntary sector organisations by examining the level of strategic contribution made by board members. Although their work offers an insight into how the board members approach their role, their findings highlight the comparatively low level of governance process skills present on their case study boards in comparison to the expertise in these areas demonstrated by board members of large shareholding corporations and complex public sector organisations such as those within the health sector.

2.3 Limitations of current research in this area

Although current research offers some interesting insights into public sector board activity, it has two key limitations: the scarcity of empirical research and the methodological limitations of that which has taken place, and the domination of studies into organisations within the health and education areas of the public sector.

Firstly, despite issues such as the board's role as a public sector governance mechanism (for example, Andresani and Ferlie, 2006, Hodges *et al.*, 2004, Howard and Seth-Purdie, 2005) and the level of accountability attributable to public sector boards (such as the work of Bovens *et al.*, 2008, Clarence, 2002) being debated extensively over the last 10 years, the majority of work in this area is conceptual in nature. As illustrated by the examples given in the previous section, extant studies have tendency to be government funded and reliant on large quantitative studies. Although such research has made valid contributions to the field, the issue of objectivity comes into question in the context of government funded research. Furthermore, little insight has been gained into the nature of public sector board behaviour through large scale statistical analyses.

The quality of the empirical research into public sector board activity has met with considerable criticism. The methodological shortcomings are discussed in greater detail in Chapter 5. However, Peck (1995), for example, identifies a number of issues that contribute to the lack of robust findings, which are as applicable today as they were at the time of writing. For example, his examination of the performance of an NHS Trust board study presents findings from an "intensive study of the performance of the board of directors of a first wave National Health Service (NHS) Trust based on three sources of data: actors' accounts, minutes and observation" (p135). He identifies and critiques the methods used by previous scholars to examine the role of public sector boards, drawing particular attention to the lack of triangulation used to validate factual findings. The work of Le Rocker and Howard (1960), for example, falls into this category. They were one of the first to examine the decisions of hospital trustees in pursuit of understanding their role within the

organisation, and did so through the examination of board meeting minutes from 18 hospitals in America over a two-year period. Their findings rely on analysing board meeting minutes but despite the insights gained into the content and nature of the board agenda, their findings do not a) provide an indication of the time spent on such issues; b) take into consideration any editing that may have taken place of the minutes; or c) make allowances for the researcher's interpretation of the nature of the issues discussed and decisions taken. Further evidence of the methodological limitations inherent within public sector board research is apparent in the work of Pfeffer (1973). He presented his findings from a survey spanning 57 hospitals in a large Midwestern state in an attempt to explain the extent to which the role of the board is determined by its organisational context and source of funding. Although his findings are the result of primary data analysis, the questionnaires were completed by the chief administrators of the hospitals and not members of the hospital board. Given that the research took place at a time when boards were notoriously 'closed groups', the findings cannot be taken as an accurate reflection of the role carried out by the board. Instead the findings are merely a reflection of the hospital administrators' perceptions of the boards' role. The limitations of Pfeffer's work are particularly apparent when compared with the work of Kovner, which took place at a similar point in time. By writing directly to the Chairman and administrator of 47 American hospitals, Kovner's (1974) questionnaire examining the hospital governing board in its policy making role achieved a response rate of 57.4%. His findings indicated that board members consider their priorities to be, "relative to other operational areas [...] cost control, quality control, and relations with third party payers" (p971).

Secondly, the limited field of public sector board research is dominated by government funded studies of the boards of organisations within the areas of health, education and local government. Of note is the lack of independent research into the boards of NDPBs. This is in direct contrast to the volume of conceptual discussions that focus on debating the role of NDPBs or other types of quango within the public sector by scholars such as Bertelli (2006a, b), Flinders (2004), Newbigging and Moore (1981) and van Thiel (2004). It is acknowledged, however, that Audit

Scotland has recently undertaken a study of the role of NDPB boards in an attempt to gain an insight into how board members perceive their role and responsibilities. Overall their findings indicate that board members feel comfortable in their role. However, the research identifies a number of areas of practical difficulty, including the underestimation of the time commitment involved, the lack of consistency across boards with regard to induction programmes and the belief that the board should play a greater role in the strategic direction of the organisation than it does (Audit Scotland, 2010). Other insights in this regard are derived from scarce work elsewhere in the Commonwealth, such as that of Howard and Seth-Purdle (2005), who report on the "experience of senior Commonwealth public servants and board directors trying to work within the corporate governance frameworks set out in the Commonwealth Authorities and Companies Act (1997) and the Financial Management and Accountability Act (1997)" (p56). Their findings from a qualitative study involving 24 participants indicated that "lines of accountability can be blurred, formal authority can be subverted, and safeguards to protect the public interest against harms such as political patronage may be weak or absent" (p56).

2.4 The generalisability of findings between studies of public and private sector boards

In contrast to the scarcity of empirical research into the activity of public sector boards, research into private sector boards has become "one of the most prolific research domains in the organisational literature" (Goodstein *et al.*, 1994 p241). Indeed, there is consensus amongst scholars that the increase in empirical research in recent years provides evidence to suggest that the purpose of a board is not so clear cut as to be one-dimensional. Instead, the role is multi-faceted and dynamic, with the emphasis on each aspect being determined by context (Pye and Pettigrew, 2005). Indeed, prior to the publication of the Cadbury Report, a number of scholars reached the conclusion that boards merely rubberstamped executive decisions and were as much use as "mere ornaments on the corporate Christmas tree" (Mace, 1971 p89). Scholars have since noted how the role of the board has evolved into a much more proactive and engaged body within the organisation (Clarke, 1998b, Conyon, 1994)

and the field of research itself has developed into one which is now finds "increasing sophistication, depth and rigor, and consistency in its intellectual structure" (Durisin and Puzone, 2009 p3). Nevertheless, despite the quality and quantity of research that has taken place into the activity and behaviour of private sector boards, this thesis is of the view that there are two key obstacles that challenge the generalisability of such findings as a means of gaining an insight into NDPB board behaviour: firstly, the difference between the intended and realised role of a board; and secondly, the impact that the public sector environment has on the role of a NDPB board and its position in relation to its Minister, which in turn has a direct bearing on the relevance of theoretical frameworks developed in the private sector to the context of NDPB boards.

2.4.1 Differences between the intended and realised roles of a board

There is evidence to suggest that the difference between the intended and realised roles of a board can be significant. Hence any attempts to generalise between sectors may be distorted depending on whether findings are based on intended or actual board roles. For example: Ingley and Van der Walt (2003) discuss the influence of board composition on board processes to illustrate its influence on the outcome of the board's intended role; Brennan (2006) argues that an expectations gap exists between boards of directors and firm performance; and McNulty and Pettigrew (1996) use Lorsch and MacIver (1989) and Demb and Neubauer (1992) to highlight that findings may be presented on the basis of intended actions rather than actual decisions.

McNulty and Pettigrew summarise the intended duties of the board as being "selecting, assessing, rewarding and if necessary, replacing the CEO; determining strategic direction; and assuring ethical and legal conduct" (McNulty and Pettigrew, 1996 p161). The Institute of Directors and Keenan (2004), who writes from his position as a non-executive director, summarise the duties in practice as "establishing vision, mission and values; setting strategy and structure; delegating to management and exercising responsibility to shareholders and other parties" (McNulty and

Pettigrew, 1996). This suggests that scholars place greater weight on the idea that the board is more detached in its focused than practitioners, who appear to consider their role to be one that is much more involved in all aspects of the organisation. Thus, in seeking to gain an insight into the influences over the NDPB board, it is not sufficient to assume that its intended remit is an accurate representation of its actual contribution. Indeed, the "points of consensus in academic literature on the [...] differences between the two sectors" (Cohen, 2001 p434) raise the possibility that the similarities between findings may be over-generalised if such factors are not taken into consideration (Nutt, 1999).

Furthermore, attention must also be directed to the difference in accounting principles as the resulting accounts form the basis on which firm performance is measured and therefore also have a bearing on the transferability of research findings. There are fundamental difference in accounting practices between the UK and the US: "whereas in the UK there are principles, the US has accounting regulations" (Keenan, 2004 p174), which represents a deep-seated difference in terms of the premise on which financial reports are made because it enables practices to exist that "contravene the letter of the regulations, but do not live up to the principles that might have been intended" (Keenan, 2004 p174). Although the same accounting principles apply to NDPBs the UK public sector as they do in the private sector as a result of their incorporation under the Companies Acts, funding principles within the two sectors are fundamentally different. Moreover, there is evidence to suggest that the cultural differences between boards prompts the need to be "cautious about uncritically transferring findings from US studies" (McNulty and Pettigrew, 1996 p162) to UK studies. Their (1995) study into power and influence around the boardroom, which supported Spencer's (1983) findings from a decade earlier, concluded that board members are able to exert and mobilise power in and around the boardroom. Thus, their findings contradicted the often-cited work of Lorsch and MacIver (1989), whose study of American corporate boards concluded that the vast majority of power in the boardroom lay with the Chief Executive.

2.4.2 Sector influence on the domain of decision problems delegated to a NDPB board

The context in which boards operate is fundamental to the nature of their activity (Pye and Pettigrew, 2005). Boards of public and private sector organisations are subject to different environmental conditions, including different regulatory environments, ownership structures and stakeholder pressures (Pye and Pettigrew, 2005). Hence, any attempt to make generalisations between sectors may omit important sector specific priorities. For example, in his investigation of board member decision-making, Kovner (1974) sought to examine whether hospital boards were equipped with members who had the relevant skills, experience and qualifications to improve hospital governance, given that the generic function and composition of boards had remained relatively unchanged since World War II. Kovner surveyed board members from 47 large hospitals in south-eastern Pennsylvania and south-western New Jersey and achieved a 57.4% response rate and generating data from over 500 participants. The self-evaluating nature of the questionnaire relied on participants' perceptions of their own qualifications to make decisions across all operational areas but this was linked to the occupations of board members. For example, there were fewer trustees rating themselves "very well qualified" in medical operational issues than in other operational areas such as financial performance and community relations. In an attempt to validate his findings, Kovner observes that "the only work concerning the nature of policy decisions among a large number of hospitals" (Kovner, 1974 p973) at the time was that by Le Rucker and Howard (1960). He turned to the work of Mace that had been carried out in the private sector in an attempt to validate his findings. Three years earlier, Mace had conducted research into boards in "large and medium-sized, widely held companies in which the president and the directors own little common or other voting stock" within "manufacturing, mining and re ailing companies" (1971 p4, typo as per original). In it, Mace found that the typical board within his sample did not get involved in setting objectives, strategies or policies unless faced with a crisis. Kovner's work supports Mace's (1971) findings, in terms of the board member's involvement in providing advice and "counsel the Chief Executive and make major

decisions in the event of a crisis" (Kovner, 1974 p975) but Kovner's findings also indicate that the hospital board members' involvement was not limited to times of crisis. Indeed, Kovner's findings highlight that hospital board members consider part of their role to be to "establish hospital objectives, strategies and broad policies, and ask probing critical questions of the executive director at board meetings" (Kovner, 1974 p975). Thus, despite the similarities between the size and scale of the organisations studied by Kovner and Mace, the findings from Mace's work do not take into consideration the changing governance environment faced by Kovner's hospital board members at the time of his research.

Furthermore, the conventionally used theoretical frameworks that are used to explain and/or predict board activity and behaviour are based on principles derived from the ownership structure of a modern shareholding corporation within the private sector. Any generalisations made on the basis of findings derived from such frameworks may thus be distorted due to the different principles on which ownership structures are based in the public and private sectors. This view is based on two factors: firstly, there are two distinct sectors of industry; and secondly, the ownership structure of NDPBs challenges the applicability of the theoretical frameworks traditionally used to study private sector boards.

By referring to areas of distinction rather than areas of difference, this thesis is of the view that there are a number of similarities between the sectors (Murray, 1983) but that, in the words of Wallace Sayre, the sectors are "fundamentally alike in all unimportant aspects" (Allison, 1983 p72). To support this view, reference is made to the work of eminent scholars such as Rainey *et al* (1976) and Perry and Rainey (1988). Following an extensive review of the literature, these scholars identified several areas in which documented distinctions between the public and private sectors of industry had been established. By adopting this approach, these scholars do not deny that there are similarities between sectors (Perry and Kraemer, 1983), however, they highlight that the two sectors are distinguished by their relative "degree of market exposure", "legal, formal constraints" and "political influences (Rainey *et al.*, 1976 p236). Indeed, Nutt (1999, 2000b, 2006) and Backoff (Nutt and

Backoff, 1993) have further developed the work of Rainey *et al* (1976) to identify specific environmental influences, organisational processes and transactional factors between the internal and external environments. Hence, this thesis concurs with Nutt, Backoff, Rainey and Perry in its view that "failure to account for sector differences creates inaccurate generalizations and loses sight of important distinctions" (Nutt and Backoff, 1993 p209). The distinctive characteristics of NDPBs and their implications for this particular research are discussed in greater detail in the following chapter.

2.4.3 Sector influence on the relevance of theoretical frameworks developed in the private sector

Before attempting to apply the theoretical frameworks traditionally used in private sector board research or the findings derived from the use of such frameworks to the study of NDPB boards, attention must be directed towards the origins of these frameworks to appreciate the difficulties involved in making such a generalisation. One of the fundamental assumptions on which the theoretical frameworks used in private sector board research are based is the assumption that separation of ownership from control arises as a result of the "pure agency relationship" (Davis *et al.*, 1997 p21) that develops when shareholder owners of an organisation employ management to take responsibility for the day-to-day running of the organisation. It is on the basis of this ownership structure that the conventional research perspectives used to study boards have been based. Due to the separation of ownership from control that has emerged in modern corporations in the private sector, this has led to well-established links between board research and the principal-agent literature, the focus of which is "on determining the optimal contract, behavior versus outcome, between the principal and the agent" (Eisenhardt, 1989 p60). In this context, a pure agency relationship is assumed to arise "between two (or more) parties when one, designated as the agent, acts for, on behalf of, or as representative of the other, designated the principal, in a particular domain of decision problems" (Ross, 1973 p134). The vast majority of private sector board research has thus sought to gain an insight into how the board mitigates the agency problems that arise as a result of the

agency relationship that arises when a Chief Executive, designated as the agent, acts for the shareholders, designated the principal. The agency problems in this context are summarised by Eisenhardt (1989 p58) in her comprehensive review of agency theory as follows:

"The first is the agency problem that arises when a) the desires or goals of the principal and agent conflict and b) it is difficult or expensive for the principal to verify that the agent has behaved appropriately. The second is the problem of risk sharing that arises when the principal and the agent may have different attitudes towards risk. The problem here is that the principal and the agent may prefer different actions because of the different risk preferences."

In seeking to prescribe and/or explain the role of boards in this context, scholars have approached their studies from one of four broad perspectives, as categorised by Zahra and Pearce (1989) in their review of empirical research into the contribution of boards to financial performance. The four perspectives are: legalistic, class hegemony, resource dependence and agency theory. Those adopting the legalistic perspective, such as Berle and Means (1932) and Mace (1971), draw from corporate law literature to consider the role of the board to be one of "representing and protecting shareholders' interests" and "managing the corporation without the interference in day-to-day operations" (Zahra and Pearce, 1989 p293). Scholars approaching the study of boards from a class hegemony perspective posit that "boards perpetuate the power and control of the ruling capitalist elite over social and economic institutions" (Zahra and Pearce, 1989 p293). Such work draws reference from its theoretical origins in Marxist sociology but has limited empirical support. Furthermore, the application of the class hegemony is much more evident in research that took place pre-1990 when boards were not associated with having a proactive role within the organisation.

In contrast, scholars who approach the role of the board as being a "co-optative mechanism to extract resources vital to company performance" (Zahra and Pearce,

1989 p293) have adopted a resource dependence perspective. Within this context, resource dependency theory takes the view that organisations try to exert control over their environment by securing links with critical resources (Muth and Donaldson, 1998) and as a result, resource dependency theorists do not assume “that managers and owners have differing interests” (McNulty and Pettigrew, 1999 p50). Examples of studies undertaken from this perspective are those carried out by scholars such as Pfeffer and Salancik (1978) and Frooman (1999), both of whom examine how board member access to external resources influences can influence the direction of the organisation.

Nevertheless, the majority of studies have been undertaken from an agency theory perspective, which is based on the premise that "the primary role of boards is to monitor actions of agents (executives) to ensure their efficiency and to protect principals' ("owners") interests" (Zahra and Pearce, 1989 p293). Indeed, in their extensive analysis of over 1,000 publications and 48,000 citations in the main corporate governance journals, Durisin and Puzone (2009) present findings to confirm that research based on the agency theory perspective dominates the literature. Within this perspective, however, two contrasting yet complementary theories have been developed (Lambright, 2009). The first is agency theory. Agency theorists consider man to be resourceful, evaluative and driven by their own self-interest (Jensen and Meckling, 1976). Hence, in seeking to monitor and control the actions of the executives, agency theorists view the board as having an important role in protecting the interests of the owner from the actions of a self-interested agent by imposing contractual obligations. The second is stewardship theory. Donaldson championed stewardship theory as a complementary alternative to agency theory in the early 1990s, proposing that the relationship between owner and executives is defined based on behavioural preferences rather than contractual obligations (Donaldson and Davis, 1989, Donaldson and Davis, 1991). Executives are considered stewards of the company rather than agents, hence their interests are considered to be closely aligned to those of their owners. This reflects an underlying model of man where “pro-organizational, collectivistic behaviours have higher utility than individualistic, self-serving behaviours” (Davis *et al.*, 1997 p24) and individuals

place considerable weight on maintaining their professional reputations (Nicholson and Kiel, 2007). Research adopting stewardship theory therefore assumes that the board is there in a supportive rather than controlling capacity. Thus, an effective board is one that empowers executives to act in the best interests of the owners (Muth and Donaldson, 1998) by instigating measures that increase the agent's sense of organisational commitment and identification.

In effect, these four theoretical perspectives are based on two opposing philosophical approaches (Hung, 1998). Resource dependence and agency theory perspectives are undertaken from an extrinsic influence perspective where the role of the board is considered to be shaped by contingent factors. In contrast, the legalistic and class hegemony perspective are undertaken from an intrinsic influence perspective where the role of the board is viewed as one of conforming to institutional expectations. Furthermore, although agency theory and stewardship theory are based on the philosophical premise that the board is shaped by contingent factors, studies using these theoretical frameworks concentrate on gaining an insight into the contingent factors that are present within the internal environment rather than the external environment. The generalisability of findings derived from the application of these frameworks, particularly the agency theory perspective, comes into question in the context of this research, which considers the role of a NDPB board to be determined by the influence of contingent factors found within the external public sector environment.

Firstly, each of these dominant theoretical perspectives has limitations despite continuing to "have a profound influence on governance reform and practice" (Roberts *et al.*, 2005 p56). The inadequacies of the theories have been well documented. For example, the resource dependency perspective is criticised for the lack of consensus in defining what is meant by the reference to 'critical resource' at the heart of its definition. It is also criticised for its lack of significant insights into the board's role in the distribution or use of the critical resources after their acquisition. The legalistic perspective is criticised for its tendency to overemphasise the presence of a direct causal link between board characteristics and the firm's

financial performance (Zahra and Pearce, 1989). Stewardship theory attracts criticism due to the lack of empirical support for its position, which can be attributed to its comparatively recent introduction into the governance theory arena. Agency theory has been criticised for its narrow focus (Eisenhardt, 1999), ignoring the complexity of the environment in which boards operate (Davis *et al.*, 1997), and being based on a fundamental model of man that does not give consideration to the potential that individuals may be motivated by factors other than self-interest.

Secondly, the principles that differentiate agency theory from stewardship theory are fundamentally reflected in McGregor's (1960) "classic distinction between Theory X and Theory Y" (Tosi *et al.*, 2003 p2054). Theory X reflects the agency theorist's perception that people are "lazy, passive, not intrinsically motivated to work and need to be controlled by management or they will not act in the best interests of the organisation". Theory Y reflects the stewardship theorist's perception that people are "not passive, have a high capacity for assuming responsibility and are intrinsically motivated [where] the task of management is to arrange the work context [...] so that people can achieve their own goals by directing their own efforts towards organizational objectives" (Tosi *et al.*, 2003 p2054). In this context, critics have challenged the concept of economic man that underpins agency theory on the basis that it "ignores decades of theoretical and empirical study of human motivation, rooted in the disciplines of sociology and psychology, which rejects this uni-dimensional view of human nature" (Burton, 2000 p201). Furthermore, there is a distinct lack of empirical research into the motivation of non-executive board members in either sector of industry (Hambrick *et al.*, 2008), rendering it inappropriate to make generalisations across sectors.

Thirdly, as is discussed in greater detail in the following chapter, the ownership structure of organisations in the public sector is fundamentally different from the ownership structure of a modern shareholding corporation. In contrast to the separation of ownership from control that takes place within a shareholding corporation, NDPBs are positioned at arm's length from Ministers and remain under the control of government. This thesis argues that this difference in ownership

structure fundamentally changes the nature of the relationship between principal and agent, and it has a direct bearing on the nature of the NDPB boards' role and how they function.

Furthermore, although these points focus on the difficulties involved in making generalisations between research findings from shareholding corporations in the private sector and NDPBs in the public sector, similar challenges arise when attempting to make generalisations based on findings from boards of family owned companies, entrepreneurial firms and organisations within the voluntary sector. The idiosyncrasies of family owned firms challenge the replicability of empirical research and often present difficulties when seeking to extract information (Daily and Dalton, 1992). Empirical research into voluntary sector organisations is fragmented (Cornforth, 2001) and due to the range of ownership and organisational structures, financing and governance practices that exist between organisations - particularly since the introduction of a new code of governance into the voluntary sector (Dawson, 2004) - the findings are inconsistent, suggesting a wide range of roles and functions for non-profit boards (Brown and Guo, 2010). Moreover, despite the growing volume of literature in the area of voluntary sector governance particularly in North America, a considerable proportion of the literature in this area is prescriptive (Cornforth, 2001).

2.5 Chapter Summary

This chapter has provided an overview of current research into public sector boards. It has drawn attention to the scarcity of research that has taken place in the area of NDPB boards. In addition, by drawing attention to the fundamental distinctions between the public and private sectors of industry, the chapter has drawn attention to the difficulties involved in making generalisations between public and private sector boards, particularly when the findings from private sector studies are based on the application of the agency theory perspective. The following chapter develops this argument further by examining the impact that characteristics of the public sector environment have on the domain of decision problems delegated to NDPB boards in

the context of their agency relationships with Ministers. By doing so, it draws attention to the relational nature of the environment in which NDPB boards function and the relevance of stakeholder theory as a framework through which to examine the role of the boards and how they function.

3. Examining the role of a NDPB board and how it functions

3.1 Introduction

As outlined in the previous chapter, this thesis is of the view that the public sector environment has a direct bearing over the nature of the agency relationship that exists between a NDPB board and its Minister, which distinguishes the role of a NDPB board from that of a board in a modern shareholding corporation. This chapter aims to develop this argument further by discussing the impact that the public sector environment has on the domain of decision problems delegated to a NDPB board in the context of its agency relationship with its Minister.

To achieve this, the chapter is written in two parts. The first part examines the impact that public sector ownership structure, financing, absence of profit motive and political proximity have on the role and composition of NDPB boards. The second part draws from the organisational behaviour literature to gain an insight into how a NDPB board functions as a workgroup. It draws parallels between the structure of a NDPB board and that of a hybrid team and draws from this area of research to gain an insight into the dynamics that underpin the structure of the board that are influenced by the public sector environment. The chapter concludes by presenting a conceptual model of the sector specific influences that shape the role of a NDPB board and how it functions, which in turn illustrates the relational nature of organizational life that shapes the domain of decision problems delegated to a NDPB board by its Minister. Chapter 4 turns to stakeholder theory to provide the theoretical framework through which to gain an insight into the nature of the relationship between a NDPB board and its Minister and its influence over the role of the board in a decision-making context.

3.2 The influence of sector on the role and composition of a NDPB board

As indicated in section 1.2, considerable research has been undertaken by scholars such as Rainey, Perry and Nutt in the area of public-private sector differences. For the purposes of this research, the following discussion aims to examine the influence that the distinctive nature of public sector ownership structure, financing, absence of profit motive and political proximity has on the role and composition of NDPB boards.

3.2.1 Ownership structure

NDPBs are the product of Ministerial powers, defined by the UK's constitutional monarchy and under which Ministers have the power to delegate functions through the use of the royal prerogative (which has been exercised since the 16th century through the establishment of entities such as the Commissioners of Bankruptcy, founded in 1570) and through Acts of Parliament, such as the establishment of the National Galleries of Scotland in 1906, through the National Galleries of Scotland Act 1906 as amended by the National Heritage (Scotland) Act 1985. NDPBs are a heterogeneous group of organisations within the public sector. The Cabinet Office (2006a p1) guide for setting up a public body for civil service departments indicates that "Bodies are set up for specific purposes and there is no set template for what a body should look like".

The Scottish Government document, "On Board: A Guide for Board Members of Public Bodies in Scotland" (Scottish Executive, 2006) defines a NDPB as "an organisation which receives at least 50 percent of its funding from central government. Within this framework some public bodies operate to a greater or lesser extent at arm's length from Ministers and are **not** part of a Scottish Executive Department; these specific bodies are generally referred to as Non Departmental Public Bodies and are managed by a board whose members are appointed by the Minister" (p7, original emphasis). This definition is used for its clarity and consistency with wider UK government documentation, recognising that NDPBs are

often considered to fall under the umbrella term of quangos, a term which lacks utility due to the sheer range of organisations considered to be quasi-state agencies (Massey, 1997). The definition of a 'quango' is an oft-debated subject (see for example, Greve *et al* (1999) and Newbigging and Moore (1981)) but the finer points of the 'quango debate' are out-with the realms of this discussion.

NDPBs have "a role in the practice of government, but are not government departments or even sub-sections of government departments: they are agencies of government that operate to a greater or lesser extent at arm's length from Ministers" (Macleavy and Gay, 2005 p7). Over the past thirty years a workable taxonomy of public bodies has emerged; this method of classification is "essentially a pragmatic approach and the current method of classification by features remains the most workable option" (Cabinet Office, 2006a p11). This classification has important implications for accountability, funding and reporting arrangements. Figure 2 summarises the main categories of NDPB and gives an indication of the range of different remits that they fulfil.

“Executive NDPBs – with executive, administrative, regulatory or commercial functions, employing their own staff and managing often considerable budgets. They have their own set of accounts. Examples include SportsScotland and Scottish Enterprise.

Advisory NDPBs – set up by Ministers to advise them and their Departments on particular matters. Advisory bodies generally have no staff of their own but are supported by staff from their sponsor Department. Their expenditure is usually no more than members’ expenses. They do not have their own set of accounts. Examples include the Scottish Law Commission and the Historic Environment Advisory Council for Scotland.

Tribunals – independent of the Scottish Executive, deciding the rights and obligations of private citizens towards each other or towards a Department or other public authority. Tribunals are established, for example, to decide medical appeals and employment disputes. They do not employ staff and do not incur expenditure on their own account. Examples include the Rent Assessment Panel for Scotland and the Lands Tribunal.

Public corporations and nationalised industries – industrial or commercial enterprises under direct Government control, with responsibility for employing their own staff and managing their own budget.

National Health Service bodies – bodies which provide management, technical or advisory services within the NHS, and which normally have responsibility for employing their own staff and managing their own budget.”

Figure 2: Categories of NDPBs
Source: Scottish Executive (2006 p7)

In addition, NDPBs are subject to the influence of government departments. The "Constitutional Position of UK Civil Servants" (www.civilservant.org.uk, accessed 27 October 2010) indicates that a NDPB's sponsor department has "no 'constitutional personality' or responsibility separate from the Government of the day. It is there to provide the Government of the day with advice on the formulation of the policies, to assist in carrying out the Government's decisions, and to manage and deliver Government services". The sponsor department has a formal responsibility for the agreement of performance targets and the audit arrangements undertaken by the NDPB (Cabinet Office, 2006b). This relationship "between each NDPB and its sponsor department must be clearly defined in a way which supports the appropriate degree of delegation and independence of the NDPB, while assuring the accountable minister and department that financial management arrangements ensure propriety, regularity and value for money, and that risks will be managed" (Cabinet Office, 2006a p2).

Although the ownership structure of shareholding organisations and NDPBs is designed to separate the owners from day-to-day management, the separation within the private sector is legally defined through the terms of share ownership. In contrast, within the NDPB environment, as illustrated in Figure 3, NDPBs are designed to operate on a day-to-day basis at arm's length from Ministers but the "responsible minister is accountable to Parliament for the degree of independence which a NDPB enjoys" (Cabinet Office, 2006a p5) in carrying out its function.

The issue of board independence within the public sector is an oft-debated subject. There is consensus amongst scholars in the area of private sector board research that "independence is a very important characteristic of an effective director" (Leblanc, 2004 p440), particularly in the context of individual directors' independence from the Chief Executive (Johnson *et al.*, 1996). Such consensus is however based on the assumption that private sector boards operate autonomously on a day-to-day basis.

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- 6.1 "Whilst NDPBs are distanced from government, the responsible minister is accountable to Parliament for the degree of independence which a NDPB enjoys; for its usefulness as an instrument of government policy; and so ultimately for the overall effectiveness and efficiency with which it carries out its functions. Ministers also remain accountable to Parliament for public money spent by a NDPB, even though bodies operate at arm's length with their own designated accounting officers. NDPBs are also accountable to the public for the services which they provide.
- 6.2 Departments will need to identify whether, in the circumstances of a particular NDPB, Ministers will need to retain control over and so be accountable to Parliament for certain aspects of the NDPB's activities. For example:
- 6.2.1 whether questions of policy can be left to the NDPB acting in accordance with the functions and responsibilities conferred by the instrument establishing it, or whether Ministers will need to be able to direct or modify policy;
 - 6.2.2 whether decisions in individual cases can be left to the NDPB subject only to appeal to the courts or a tribunal, or whether appeal to Ministers is needed on some matters;
 - 6.2.3 whether income will derive substantially from levies, fees or charges, whether their level needs to be specifically approved by Ministers or Parliament, or whether this can be left to the NDPB (subject to the restrictions set out in the NDPB's management statement or financial memorandum)."
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Figure 3: NDPB characteristics in relation to accountability
 Source: Cabinet Office (2006a p5)

In contrast, in the context of the public sector, the degree of independence that a NDPB enjoys is at the discretion of the Minister and the issue of "autonomy is of central concern for politicians, bureaucrats (including the staff of the agency) and the groups whose welfare is affected by the functioning of the agency" (Yesilkagit, 2004 p120). In effect, the position of the NDPB at arm's length from the Minister reflects the inherent paradox that exists within a bureaucratic structure between "the delegation of tasks on one hand, and political control and public accountability on the other" (ibid).

It is against this backdrop that boards of NDPBs are expected to fulfil three main functions, as set out in Figure 4 and Figure 5. The intended governance function of the NDPB board is the subject of considerable debate within the context of public accountability. In particular, the appointment of non-elected board members to these positions raises questions as to the democratic legitimacy of the governance responsibilities held by such appointees (Denton, 2006) due to the blurred lines of

accountability that arise due to the structure of the board. Indeed, in contrast to their private sector counterparts, the identification and definition of the board can sometimes be difficult to define, as set out in Figure 6. In the case of public bodies, policy and strategy are decided by "an amalgam of the Cabinet, the Minister, officials in the sponsoring department, the treasury [and] the chairman and his board" (Charkham, 1986 p449). For the purposes of clarity, any reference made to a NDPB board in the context of this thesis refers to the group made up of non-executive board members and the Accountable Officer.

1. "To represent the interests of the Minister. In the majority of cases, Boards of public bodies are appointed by Ministers in order to ensure the delivery of, or to advise upon, Ministerial policies. The representation of a body's views to Ministers by a Board is perfectly legitimate and acceptable, but such action should be viewed within this wider context. Crucially, Board members should be clear about Ministerial policies and expectations for their body. If they are in any doubt on this point at any time, they should seek clarification from the Chair.
2. To provide active leadership of the public body by:
 - agreeing the organisation's strategy;
 - setting cost effective plans to implement the strategy;
 - establishing a performance management framework which enables under-performance to be addressed quickly;
 - establishing the values and standards of the organisation and ensuring that the organisation adopts and complies with Codes of Conduct for Staff and Board Members;
 - ensuring that the highest standards of governance are complied with, that the organisation complies with all Ministerial guidance, its Management Statement and Financial Memorandum and legislation, and that a framework of prudent and effective controls is in place to enable risks to be assessed and managed;
 - focusing on the difference that the organisation is making in the outside world, i.e. effects on customers and citizens; and
 - ensuring that the body is a Best Value organisation.
3. To hold the Chief Executive (and senior staff) to account for the management of the organisation and the delivery of agreed plans on time and within budget."

Figure 4: The three main functions of a public sector board

Source: Scottish Executive (2006 p3-3)

"In addition to any special responsibilities set by Ministers or set out in the statute that established the public body, the basic tasks of the Board are:

- to establish the corporate mission, aims and objectives of the body in line with Ministerial expectations. This should make explicitly clear:
 - why your body exists?
 - what it hopes to achieve?
 - what are the values and beliefs that guide its work?;
- to oversee the development (and review) of strategies, plans and policies of your public body;
- to ensure the operation and work of your public body is closely aligned with the work of other service delivery public bodies to ensure efficiency and effectiveness at the highest strategic level;
- to oversee the development (and review) of performance targets, including key financial targets; and
- to provide continuity of direction and management by making appropriate arrangements for delegation.

Figure 5: The additional tasks assigned to a public sector board

Source: Scottish Executive (2006 p3-4)

"In the public services, in the broadest sense, 'the Board' is sometimes difficult to identify and define but the decisions, actions and behaviour of the policy makers and managers in public bodies are equally, if not more, critical. In whatever way 'the Board' is configured, constituted or described, all public bodies must have, at their head, a group which is responsible for:

- Giving leadership and strategic direction;
- Defining control mechanisms to safeguard public resources;
- Supervising the overall management of the body's activities; and
- Reporting on stewardship and performance."

Figure 6: The role and responsibilities of a public sector board

Source: Scottish Executive (2006 p2-3)

Inherent within the Acts that establish NDPBs are the terms and principles on which boards are appointed. For example, as illustrated in Figure 7, Chapter 50 of the National Galleries of Scotland Act 1906 is set out to "establish a Board of Trustees to manage the National Galleries of Scotland; and for other purposes" (National Galleries of Scotland Act, 1906 p3). Thus, boards were originally introduced into NDPBs as a result of the relevant Act and the legalistic elements of their role continue to be apparent today: as indicated in Figure 4, boards are expected to "represent the interests of the Minister" and "to hold the Chief Executive (and senior staff) to account for the management of the organisation and the delivery of agreed plans on time and within budget".

"4.-(1) The Board shall be appointed by the Secretary for Scotland, and shall consist of seven members, three of whom when so appointed shall be members of elected local authorities in Scotland. The said seven members shall hold office for five years from the establishment of the Board, and may be re-appointed. At the expiration of every period of five years the Board shall be re-constituted as aforesaid. Four members shall be a quorum.

(2) The Board shall be established from and after the prescribed date not being a later date than the first day of April nineteen hundred and seven.

(3) Any vacancy caused by the death or resignation of any member shall, as soon as practicable, be filled by the Secretary for Scotland, but the person appointed to fill any such vacancy shall hold office so long only as the vacating member would have retained the same if such vacancy had not occurred.

(4) The Secretary for Scotland shall appoint one of the members of the Board chairman for such period, not being less than a year, as he may think fit, and the chairman shall have a casting as well as a deliberative vote.

(5) Subject as herein-after provided, the officers of the Board shall be appointed by the Secretary for Scotland or otherwise as may be prescribed.

(6) The Board shall comply with any instructions which may be issued by the Secretary for Scotland and shall make an annual report to him, which report shall be presented to Parliament."

Figure 7: The Constitution of the Board of the National Galleries of Scotland

Source: National Galleries of Scotland Act (1906 p4)

This legalistic perspective of the role of NDPBs appears to have further support when the legal foundation of a NDPB is compared with that of a public limited company. "Most Executive NDPBs require legislation, in order to confer functions on the body, and also for reasons of governmental accounting" (Cabinet Office, 2007 p2). Furthermore, by being incorporated in this way, the Executive NDPB is "an independent legal entity, separate from its shareholders or members, and the liability of the members to repay debts of the company is limited" (ibid.). Thus, certain statutory obligations are imposed, "i.e. the Companies Act requires registration of a Memorandum and Articles of Association with the Registrar of Companies, and the making of an annual return. [...] The relevant statutes also emphasise the personal liability and responsibility of the directors and those who are regarded as managing the company, to manage it in a responsible fashion so as to protect creditors and investors" (Cabinet Office, 2007 p3).

In a similar vein, public limited companies are also legal entities, established by the creation of articles of association (Companies House, 2008). These articles limit the liability of its members to repay company debts but reinforce the responsibility of directors to responsibly protect the interests of creditors and investors: "In the UK the self-regulatory model of governance makes the chairman ultimately accountable for the activities and personnel of the corporation particularly as UK company law draws no distinction between the responsibilities of the executive and non-executive directors (DTI, 2000)" (Kakabadse and Kakabadse, 2007 p174).

Nevertheless, when attention is directed towards the common law fiduciary duties of boards in each sector there is a fundamental difference. Fiduciary duties refer to: "the duty of care – acting the way that a prudent individual would in similar circumstances; the duty of loyalty – placing the organization's interests above an individual's own; and the duty of obedience – acting in accordance with the law and the organization's own charter, bylaws and policies" (Pointer and Ewell, 1995 p330). In the UK private sector, adherence is on a voluntary basis but is an essential part of the London Stock Exchange listing rules. Within the NDPB arena, these fiduciary duties are further bound: "The Ethical Standards in Public Life etc. (Scotland) Act 2000 formalised the use of Codes of Conduct for Board members. Ministers and the Parliament expect all Board members to adhere fully to the principles of public life set out in the Model Code of Conduct for Members of Public Bodies. Any breach of the principles or duties in that model code, or in any specifically approved Code for your public body, could result in sanction, suspension or dismissal" (Scottish Executive, 2006 p3-7). Although the Act is specific to Scotland, codes of ethics are present elsewhere in the public sector (Kinchin, 2007).

Furthermore, in the private sector the legal implications for the composition of the board are notably non-prescriptive: from 6 April 2008, boards in the United Kingdom must consist of "at least one director for a private company and at least two directors and a company secretary for a public limited company" (Companies House, 2008 p3), albeit that the law does not dictate that such directors must form and

function as a board. In addition, where previously directors' duties had been developed by case law, new provisions to the Companies Act, effective as of 1st October 2007, introduce clearer guidelines in relation to their reporting responsibilities. This formal structure ensures that corporate management is “effectively accountable to some independent, competent and motivated representative” (Monks, 2001).

Thus, although private sector organisations and Executive NDPBs are legally incorporated and therefore subject to certain statutory obligations, the composition of a NDPB board is influenced by a number of prescriptive factors which distinguish it from its private sector counterparts. Firstly, a NDPB is established by an Act of Parliament (as illustrated in Figure 7). Although "the statutes governing pre-war boards usually provided for a statutory period of appointment, for example, the Electricity Supply Act 1926, provided not less than five years for the Central Electricity Board" (Chester, 1958), appointment terms are now regulated by the Office of the Commissioner for Public Appointments and board members may be re-appointed to the same position without open competition only once (Office of the Commissioner for Public Appointments, 2009 point 30.1). Secondly, board appointments are regulated by the Commissioner for Public Appointments and must conform to the principles of the Code of Practice for Ministerial Appointments to Public Bodies. In particular, board appointments must demonstrate appointment on merit, equality of opportunity, probity and respect, independent scrutiny, openness and transparency, and proportionality (Scottish Government, 2010b). Finally, boards in the public sector are influenced by the legacy of representative membership or tripartite composition consisting of professionals, local authority representatives and lay members that was mentioned in section 2.2.

This discussion highlights that the ownership structure of NDPBs clearly defines the terms of the NDPB's remit and the role of a NDPB board. Furthermore, the structure clearly indicates that, despite their legal foundation as individual companies, NDPBs are designed to operate 'at arm's length' from Ministers and that the Minister is accountable for the degree of independence enjoyed by a NDPB. This suggests that

the independence enjoyed by a NDPB can vary and that individual NDPBs may experience different levels of independence. Moreover, it suggests that the degree of independence may exert an influence over the domain of decision problems delegated to a NDPB board by its Minister. Support for this view is apparent from the findings of Coursey and Bozeman (1990) whose examination of the impact of public-private sector differences in a decision-making context indicated that "ownership is modestly related to the types of problems addressed by strategic decision-making" (p531).

3.2.2 Financing

"In 2007/2008, total expenditure by Executive NDPBs was nearly £43 billion. Of this, £34.5 billion was funded directly by Government. The remainder was financed through a combination of fees and charges, levies and other sources of funding (such as National Lottery or EU grants)" (Cabinet Office, 2008 p5). In contrast, private sector corporations are standalone entities whose sources of funding and strategic direction are within its own control, subject to market forces. Private sector firms also generate long-term funding through different combinations of various forms of debt and equity, the structure of which is determined by each individual organisation taking into consideration factors such as risk, ownership retention, funding duration and debt capacity (Pike and Neale, 1993). In contrast, "whereas private firms are owned by entrepreneurs or shareholders, public agencies are owned collectively by members of political communities." (Boyne, 2002 p98), funded by taxation and subject to political forces not market forces (Boyne, 2002).

Funding of Executive NDPBs is only a proportion of the funding directed towards NDPBs within the United Kingdom: there are 790 government sponsored NDPBs, comprising "198 Executive NDPBs, 410 Advisory NDPBs, 33 Tribunal NDPBs and 149 Independent Monitoring Boards of Prisons, Immigration Removal Centres and Immigration Holding Rooms" (Cabinet Office, 2008 p5). In Scotland, for example, Executive NDPBs range in age from the Royal Commission on the Ancient and Historical Monuments of Scotland, which was created by Royal Warrant in 1908, to

Skills Development Scotland which was established in 2008. Staffing wise, Executive NDPBs range from those that employ a handful of full-time employees, such as Bòrd Gàidhlig na h-Alba and the Risk Management Authority, who employ nine and 13 staff respectively, to those with staffing levels of over 1,000 employees, such as the Scottish Police Services Authority and Skills Development Scotland. Furthermore, Executive NDPBs alone receive over £2,800 million in grant-in-aid from the Scottish government and employ over 11,000 people.

Despite the exponential increase in NDPBs during the 20th century, Cabinet Office statistics now indicate a decline in their numbers of 7.8% since 1997 (Cabinet Office, 2008 p5). Furthermore, in May 2007, the Scottish National Party pledged its intention to reduce the number of Scottish NDPBs by 25% by 2010 when it gained leadership of the Scottish Parliament. This decline in numbers can be attributed to the increased level of scrutiny directed towards public spending, particularly during times of political change. As a result of the number of NDPBs within the UK as well as the other financial commitments associated with government spending, the resources available to NDPBs are predetermined and NDPBs must operate within the budget assigned to them.

In addition, in contrast to the private sector where the chairman of the board is held accountable to shareholders for the financial performance of the organisation, the Model Management Statement/Financial Memorandum for Executive NDPBs published by the Scottish Government clearly sets out that the Chief Executive of the NDPB is the Accountable Officer. In particular, "Ministers also remain accountable to Parliament for public money spent by a NDPB, even though bodies operate at arm's length with their own designated accounting officers". Furthermore, the Management Statement/Financial Memorandum, a copy of which is provided at Appendix 1, sets out that:

"3.6.1 The Chief Executive [or equivalent] of the NDPB is designated as the NDPB's Accountable Officer by the Principal Accountable Officer for the Scottish Administration [in accordance with sections 14 and 15 of

the Public Finance and Accountability (Scotland) Act 2000.] [on a non-statutory basis.] [Alternatively:] The senior official of the NDPB carries responsibilities which effectively put him/her in the position of being the NDPB's Accountable Officer even though he/she is not formally designated as such" (Scottish Government, 2010a section 3).

Within the parameters of a NDPB's remit, it is the Chief Executive and not the Chairman of a NDPB board that is formally tasked to: "ensure that appropriate financial systems are in place and applied and that procedures and controls are reviewed from time to time to ensure their continuing relevance and reliability, especially at times of major changes; sign the accounts - and the associated Statements on Internal Control - for the body, and in doing so accept personal responsibility for their proper presentation as prescribed in legislation or in the relevant Accounts Direction issued by the Scottish Ministers; ensure that proper financial procedures are followed and that accounting records are maintained in the form prescribed for published accounts; and ensure that the public funds for which you are responsible are properly managed and safeguarded, including independent and effective checks of any cash balances in the hands of an official" (Scottish Government, 2009, section 3).

By highlighting that the majority of funding received by a NDPB is funding allocated by government this discussion has highlighted that, in contrast to the boards of private sector companies where board members are able to use their networks to secure additional capital funding for their organisation, the board of a NDPB is unable to do the same. This suggests that the financing of a NDPB also affects the domain of decision problems delegated to a NDPB board.

3.2.3 Profit motive

The modern corporation has evolved out of capitalism and the freedom of entrepreneurship irrespective of any criticism that the benefits are restricted to the privileged classes. While capitalism is an integral part of liberal democracy

(Leyland, 2007), in its most simplistic practical terms, it creates an environment whereby, subject to market forces, modern corporations can determine their own direction and take ownership for their wealth generation. This view draws from separation theorem, which is based on the following decision rules: "1) Corporate management should invest in projects offering positive net present values when discounted at the capital market rate; and 2) Shareholders should borrow or lend on the capital markets to produce the wealth distribution which best meets their personal time pattern of consumption requirements" (Pike and Neale, 1993 p82). In determining the composition of a private sector board, there is evidence to suggest that appointments are made that enhance the financial credibility of the firm. For example, Bonn and Pettigrew refer to Daily and Dalton's (1994) resource dependence perspective findings in their observation "that appointing non-executive directors to the board in a time of crisis provides access to valued resources and information, facilitates the continuation of exchange relationships between the organisation and its critical constituencies, and aids in establishing legitimacy" (2009 p11). Furthermore, agency theorists view Chief Executive remuneration as a key opportunity incentivise executives to achieve greater profit in the interests of shareholders and to mitigate agency costs (Yang, 1991).

In contrast, NDPBs are not created with wealth generation in mind. In their survey of the progression of the public and political debate surrounding quangos, Macleavy and Gay articulate the main reasons behind the establishment of NDPBs. A summary of their points is presented in Figure 8, which draws from the Cabinet Office (2006a) *Guide for Departments: Policy and Characteristics of Public Body*. The creation and establishment of NDPBs in the public sector has a number of practical benefits. In particular, it alleviates "Ministerial overload" (Flinders, 2004 p767) and enables NDPBs to function as vehicles for a number of important roles. At the same time however the absence of profit motive removes the opportunity for the public sector to use financial incentives to encourage executive performance (Rainey *et al.*, 1976) in the context of the board's agency relationship with the Accountable Officer. This difference in profit motive highlights the potential influence that the appointed skills and experience of board members may have on the

composition of a NDPB board and also suggests that the predetermined remit of a NDPB board affects the domain of decision problems delegated to the board.

- NDPBs “place a wide variety of sensitive issues at arm’s length from partisan politics and protect institutions like the BBC, the Commission for Racial Equality, or the Health and Safety Executive, from direct political pressures;
- recruit specialists into public service and achieve a better balance of gender, ethnic and other minorities than more traditional elected bodies have thus far been able to;
- focus activity in single-issue areas. In theory, at least, they can respond directly to the policy initiatives of ministers and take care of intermediate policy making and local service delivery. This facilitates the development of Whitehall as a largely policy-making domain;
- enable senior civil servants, who tend to be generalists and untrained in the practicalities of service delivery to offload the practical issues of public service provision to the private sector and public agencies, which provides for reductions in departmental resources; and
- allow Ministers and senior bureaucrats to embrace the ideology of the private market, which is believed to be cheaper and inherently more efficient, responsive and innovative than public service provision”

Figure 8: Reasons for establishing quangos/NDPBs
Source: Macleavy and Gay (2005 p8)

3.2.4 Political proximity

The influence of political proximity is intrinsically linked to the discussion of ownership structure in section 3.2.1 as it has a direct bearing on the degree of independence experienced by NDPB. In his discussion of the conceptual relationship between the boards and Parliament, Chester (1958 p88) observed that "opinion differs as to the degree of independence which a board should possess vis-à-vis the Minister". Although intended to operate at arm's length from Ministers, greater independence raises concerns as to board accountability, less independence raises concerns as to the extent to which the board is shielding the Minister. Either way, Ministerial portfolios have responsibility for a broad range of NDPBs and the Accountable Officer and appointed board members are exposed to direct political influence. Furthermore, each Minister is guided by the politics of their political party, which in turn influences public service delivery priorities. This is particularly apparent in Scotland, given that the Scottish National Party took up leadership

responsibility in 2007 and subsequently announced a review of the NDPBs in Scotland with a view to reducing their number. Boards in the private sector are considered central instruments of governance. The principles of corporate governance, which have influenced and guided the current governance structure within the NDPB arena, have at their heart the principle of appointing members to the board who have “independence from executive responsibilities” (Cadbury, 1992 point 4.4) and who are able to bring “independent judgement to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct” (Cadbury, 1992 point 4.11). But with this sense of independence comes the inference of objectivity. Yet, the non-executive boards of NDPBs are appointed to “represent the interests of the Minister” (op.cit) and the political orientation of Ministers changes over time. Indeed, it was during the Thatcher era that NDPBs were created as tactical steps towards a programme of government reform. This continued with the Labour government that followed (Davies, 2007), although Bertelli (2006a) quotes from Pollitt and Bouckaert's (2000 p272) book, "Public Management Reform", to observe that under their leadership, “The urge to privatize disappeared, but there was no countervailing debate to take organizations or functions back into public ownership”.

The distinct influence of political proximity on the nature and characteristics of a NDPB board is apparent as "decisions regarding the quantity, quality, choice and equitable provision of public services are ultimately political decisions because all these feed back into higher or lower costs for citizens" (Hodges *et al.*, 1996 p12). In practical terms this influence manifests itself through the Model Management Memorandum (Scottish Government, 2010a) and the Scottish Ministerial Code (Scottish Government, 2010b). The Model Management Memorandum sets out the NDPB operating framework that is agreed by the Minister and has a direct bearing on the strategic direction and financing of the NDPB, which shape the domain of decision problems that fall within the remit of a NDPB board.

Nevertheless, while the Management Statement and Financial Memorandum outline the parameters of a NDPB board's responsibilities, the documentation is not an

employment contract because "Chairs and Members are **not** employees of the public body nor of the Scottish Government (and so are **not paid a salary**)" (Scottish Government, 2010-2011, section 5.13, original emphasis). Furthermore, in addition to being appointed for a fixed and limited term, the Scottish Government *Finance and Pay Policy* documentation indicates that the reason behind this remuneration policy is that:

"The main objective in remunerating such posts is to increase diversity. Remuneration may be proposed where it is particularly important for bodies to have boards drawn from as wide and diverse a range of candidates as possible or where there is specific need for Members drawn from otherwise under-represented groups" (Scottish Government, 2010-2011, section 5.3).

Furthermore, the documentation also indicates that:

"Public appointees such as Chairs and Members benefit personally in a number of non-financial ways, for example: in the enhancement or application of professional expertise; general networking and personal development; or the opportunity to contribute to policy-making in an area of personal interest" (Scottish Government, 2010-2011, section 5.3).

Taking the employment term and nature of the remuneration policy into consideration as well, these factors underline that the relationship between NDPB board members and their organisation is not based on a conventional employer-employee contract where emphasis is placed on an economic exchange between parties. Instead, NDPB board members are servants of the Crown and are subject to their own provisions of employment law. Duddington (2003 p44) summarises these provisions as follows:

"Crown servants are simply those in Crown employment and are commonly known as civil servants. There is doubt as to whether Crown

servants have a contract with the Crown and, even if they do, whether that contract is a contract of employment.

In *IRC v Hambrook* (1956) Goddard LCJ said: 'an established civil servant is appointed to an office ... so that his employment depends not on a contract with the Crown but on appointment by the Crown'. Other judges have, however, held that Crown servants have a contract, even if it is not a contract of employment (see e.g. *Cresswell v Board of Inland Revenue* (1984))."

Thus, as a servant of the Crown, it appears that the limited remuneration associated with board appointments places greater emphasis on the social exchange that forms the basis of the relationship between the parties. Indeed, if a Crown servant has a contract it is not "a contract of service in the strict meaning of that expression" (Keter, 2005 p2). Indeed, "theoretically a Crown servant is dismissible at any time at the will of the Crown" (Keter, 2005 p1). This characteristic is derived from historical legacy whereby "one of the privileges of the Crown was immunity from suit". However, "The Crown Proceedings Act 1947 removed much of the Crown's immunity from suit. Nevertheless, a Crown servant is still employed only at the good pleasure of the Crown and can at common law be dismissed at will" (Keter, 2005 p2). It is therefore the influence of the "good pleasure of the Crown" and "Ministerial judgement" that are of particular significance in the study of the relationship between a NDPB board and the Minister.

Millward and Hopkins (1998) study of the relationship between psychological contracts and organisational and job commitment draws from Blau's (1964) definition of social exchange in this context to indicate that it "involves unspecified obligations, the fulfilment of which depends on trust because it cannot be enforced in the absence of a binding contract" (p113). Research into the nature of the psychological contract at board level in the public sector did not emerge during the course of the literature review. Millward and Hopkins (1998), however, examined the implications of time-limited contracts on the psychological contract that exists

between employer and employee and have concluded that the use of time-limited contracts has "implications for the psychological character of the [employer-employee] exchange relationship" (p1530). In particular, those on time-limited contracts are "more transactional than relational in their contractual orientation", where transactional obligations are linked with economic exchange and relational obligations are associated with social exchange (Millward and Hopkins, 1998). Unfortunately, Millward and Hopkins's research is focused on managerial rather than board level contracts and their findings are of limited insight for this research. Nevertheless, their work does indicate that the time-limited nature of appointments has an effect on the psychological contract.

As servants of the Crown, the composition of the board is influenced by the requirement within the Scottish Ministerial Code for NDPB board appointments to have approval from either the relevant portfolio Minister or the First Minister in the case of "the appointment or re-appointment of: a) The Chairs and other Members of Royal Commissions in relation to devolved matters; b) The Chairs of: (i) Independent Committees of Inquiry (ii) Public Corporations (iii) Nationalised Industry Boards (iv) Specified executive and advisory Non-Departmental Public Bodies" (Scottish Government, 2010b). This highlights that, despite the OCPA regulated appointments process that is undertaken to recruit and selection appropriate candidates for a position on a NDPB board, the final choice is ultimately subject to ministerial approval. Indeed, having been identified as having the required skills and experience by the OCPA regulated appointment process, the final decision with regard to the person(s) considered to be best qualified for the position is determined by Ministerial judgement (Scottish Government, 2010b).

The discussion thus far highlights the degree of influence exerted over the role and responsibilities of the NDPB and a NDPB board as a result of their proximity to the political centre of government as well as to the influence of Party politics as a result of their Minister's political priorities. It highlights the difficulties involved in completely separating the public interest responsibilities of boards from their commercial interests, a factor which led Hanson (1969 p66) to question the necessity

for "some degree of informality" to exist between the board and Minister to facilitate effective collaboration between the parties. The extent to which these factors exert an influence over the domain of decision problems delegated to a NDPB board must be taken into consideration.

3.3 The influence of sector on how a NDPB board functions as a workgroup

Having discussed the influence that the public sector environment has on the role and composition of NDPB boards, this section aims to examine the extent to which the public sector environment, role and composition of a NDPB board influences how it functions as a workgroup. To achieve this, this section draws from the organisational behaviour literature to examine the composite elements of how a board functions: board characteristics, board dynamics and moderating variables.

3.3.1 The NDPB board as a workgroup

As indicated previously, the increase in the volume of empirical research that has taken place into private sector boards in recent years has led to a consensus that the role of the board is multi-faceted, fluid and dynamic. In seeking to gain an insight into the factors that underpin the dynamic nature of the board, a number of approaches have been taken. For example, scholars such as Bhagat and Black (1999), McIntyre *et al* (2007) and Van der Walt and Ingley (2003) have sought to identify the relationship between behaviours associated with board composition and firm performance; McCauley (1998) and Peterson *et al* (1998) have examined the concept of groupthink and its affect on board dynamics; and Finkelstein (1992), McNulty and Pettigrew (1996), Pearce and Zahra (1991), Provan (1980) and Udueni (1999) have all considered examined the concept of power within the board environment. Despite the scarcity of public sector board research there is consensus amongst scholars that the role of a public sector board is also multi-faceted and dynamic.

One particular piece of work has taken a more holistic approach to the study of how boards function: Murphy and McIntyre's (2007) examines board performance from a group dynamics perspective. Although their discussion falls foul of the criticism put forward by Pettigrew's (1992b) review of the study of managerial elites in that their study "suffer[s] from their distance from the phenomenon they are addressing [and as] a result great inferential leaps are made from input variables such as board composition to output variables such as board performance with no direct evidence on the processes and mechanisms which presumably link the inputs to the outputs" (p171), the approach they have taken is of particular interest for this research. In effect, Murphy and McIntyre have taken a step back from the field of board research in their pursuit of understanding board dynamics. Instead, they draw from the insights offered by the scholars of group dynamics and organisational behaviour, which are not constrained by agency relationship assumptions. Their work acknowledges the relationship driven nature of the dynamics that underpin how a board functions. Indeed, Bettenhausen (1991) undertook an extensive review of over 250 studies of group dynamics that had taken place during a single three-year period. His work in this area has generated considerable evidence to support the view that a "group's interaction context (i.e. its structure, technology environment, size and composition) affects group processes and outcomes" (Bettenhausen, 1991 p345). Hence, in seeking to gain an insight into how a NDPB board functions, the following section discusses the sector specific characteristics of the NDPB boards' composition, the dynamics that influence how the boards interact and the sector specific variables that moderate how the boards function.

3.3.2 NDPB board characteristics

In seeking to examine the characteristics of a NDPB board, reference is made to the current field of board research where the phrase 'board characteristics' tends to refer to the board's composition and demographic construction. A significant proportion of board research to date has attempted to correlate various board demographics with aspects of firm performance. Such attempts reflect Pfeffer's (1983) argument that

“demographic variables provide parsimonious and objective representations of constructs that are otherwise difficult to collect and validate” (2007 p587). However, research of this nature is subject to methodological criticism as it tends to take the form of large sample, quantitative studies that look for direct links between board attributes and aspects of firm performance, such as board size (Goodstein *et al.*, 1994) and the combined Chairman/Chief Executive role (Conyon, 1994). Such studies do not take into consideration the vast range of processual variables that may also contribute to aspects of firm performance. Wagner *et al* (1998), for example, examine the relationship between the proportion of inside and outside directors on the board and overall firm performance, only to conclude that the relationship between insider/outsider composition and performance, measured as return on assets, is curvilinear. Hermalin and Weisbach (1991) and McIntyre *et al* (2007), on the other hand, examine the relationship between board composition and firm performance but although Hermalin and Weisbach found no correlation between the two, McIntyre *et al* conclude that “high levels of experience, appropriate team size, moderate levels of variation in age and team tenure [are] correlated with team performance” (p547). Nevertheless, this discussion is not based on the assumption that a direct causal relationship exists between aspects of board demographics or composition and the contribution of a NDPB board. To do so would be to make an inappropriate inferential leap (Pettigrew, 1992b) irrespective of Pfeffer's (1983) argument that “demographic variables provide parsimonious and objective representations of constructs that are otherwise difficult to collect and validate” (2007 p587). Furthermore, to adopt such an approach would not take into consideration the vast range of processual variables that may also contribute to aspects of firm performance and subsequently produce contradictory findings.

For the purpose of this research, the term 'board characteristics' is used to refer to the sector specific aspects of a NDPB board's demographic construction that have been shaped by the recruitment and selection process. Reference is not made to the sector specific composition of NDPB boards as this was addressed in the previous chapter. The characteristics of NDPB boards are particularly distinct as a result of the OCPA regulated recruitment process, the Ministerial approval process, the limited

remuneration paid to board members and the degree of demographic representation achieved.

Firstly, the introduction of OCPA guidelines emphasises that "All public appointments **must** be governed by the overriding principle of selection based on merit, by the well-informed choice of individuals who through their abilities, experience and qualities match the need of the public body in question" (Office of the Commissioner for Public Appointments, 2009 p19, original emphasis). As per the recommendations of the Nolan Committee, the Office of the Commissioner for Public Appointments was established in the UK in 1995, followed by a dedicated Scottish office in 2002. As a result, in an attempt to allay concerns over patronage and the appointment of homogenous board members, all public appointments are publicly advertised in the national press. Candidates are thus attracted through public advertising and must complete an application form providing evidence of their relevant skills and experience (from which their personal details are removed during the selection process). Their suitability for the position is then determined by a panel, which does not learn of the identity of the selected candidates until they are invited for interview. Despite its attempts at ensuring the principles of equal opportunity are ingrained within the recruitment process, the system is often criticised because a number of the appointments are ultimately subject to Ministerial approval (Skelcher *et al.*, 2000). Furthermore, as in the case of the National Galleries of Scotland, however, the Act that establishes a NDPB can influence the composition of NDPB boards.

Secondly, the need for ministerial approval for board appointments is symptomatic of the ministerially held accountability for designating to and, where required, removing the Accountable Officer status from, a Chief Executive (Scottish Government, 2009). This responsibility is set out in the Public Finance and Accountability (Scotland) Act 2000. Of particular note, however, is that this responsibility for designating the Accountable Officer status appears to be separate from a NDPB board's responsibility to "[where applicable] appoint [with the Scottish Ministers' approval] a Chief Executive to the NDPB" (Scottish Government,

2010a section 3.5.2) even though the Chief Executive cannot fully perform their role without their designated status as Accountable Officer. In contrast, within the field of private sector board research, the board's power to hire and fire the Chief Executive is considered an important means of enabling the board to exert control over the Chief Executive in order to mitigate the agency costs (Mizruchi, 1983).

Thirdly, the vast majority of non-executive NDPB board appointments are either undertaken on a voluntary basis or for a stipend that ranges from £86 to £325 for board members and £134 to £455 for chairmen, depending on the size and scale of the NDPB and the board's responsibilities (Scottish Government, 2010-2011). Furthermore, given the bureaucratic recruitment process that must be complied with in order to be considered for such an appointment, anecdotal experience gained by facilitating OCPA regulated board appointments indicates that an element of self-selection has occurred during the course of attracting candidates to apply for such positions due to the remuneration level on offer and the bureaucratic and time-consuming nature of the process. Although the literature review did not identify empirical evidence to support the presence of such self-selection in public sector board appointments, it also did not identify any evidence to suggest that it does not exist either. There is however evidence to support the influence of self-selection in the choice of public sector over private sector working environment and in multiple-hurdle recruitment exercises within the recruitment and psychology literature, such as that of Becker (2005) and Ryan (2000) respectively. Furthermore, professional experience suggests that there are three dominant board member profiles: i) those who have a full time executive position elsewhere but who seek to take on a board position as a means of further personal development or professional networking; ii) those who are developing, or have developed, a portfolio of board appointments; and iii) those who have retired and seek a board appointment as a means of maintaining a link to their executive career. This experience is supported by the Finance and Pay Policy documentation referred to in section 3.2.4, which made reference to the non-financial personal benefits of board appointments, such as the enhancement or application of professional expertise, general networking or personal development,

which are considered to counteract the limited remuneration associated with such positions.

Finally, the membership of NDPB boards is intended to be a reflection of the population's demographics. However, Macleavy and Gay (2005 p13) quote figures from the (currently unavailable online) Cabinet Office, Agencies and Public Bodies database, to say that “At 31 March 2004, the proportion of women on the boards of public bodies (excluding boards appointed by devolved administration) was 37.5%; ethnic minorities 6.5% and people with a self-identified disability 4.1%”. Although these figures represent an increase in the last decade, they still fall short of the government's targets for 2005 that were for “50 per cent of public appointments to be held by women, about 7-8 per cent by people from ethnic minorities and for a simple increase in the representation of people with disabilities” (ibid. quoting Public Administration Select Committee, 2002-2003 HC 165-1 para 115). Furthermore, there is a public perception that “appointments are the preserve of the privileged few, even if not always a 'fix' or the product of 'cronyism' as often alleged by the media” and that “appointed members of these boards are still overwhelmingly (in the Commissioner's phrase) 'male, pale and stale’” (Public Administration Select Committee, 2002-2003 p4).

Thus, by considering the influence of these four aspects of the recruitment and selection of board members, the discussion has drawn attention to the breadth of skills and experience of the individuals appointed to NDPB boards that make up the characteristics of each board.

3.3.3 NDPB board dynamics

Current research into board dynamics tends to be approached on the basis that a board is a form of organisational workgroup where a workgroup is defined as “intact social systems that perform one or more tasks within an organizational context” (Bettenhausen, 1991 p346). Forbes and Milliken (1999), for example, develop a model of board processes by integrating the literature on boards with the literature on

group dynamics and workgroup effectiveness. Bainbridge (2002), on the other hand, examines the effectiveness of group decision-making at board level. By doing so, such scholars have assumed that boards function according to the dynamics expected of conventional workgroups within an organisation. Indeed, in trying to gain an insight into the behavioural aspects of a board's role in corporate governance, Huse (2005 pS72) observed that "it is a major challenge in corporate governance research to explore how a board may be different from other small decision-making groups". This research agrees with the principle that boards are a form of organisational workgroup but, by taking into consideration the characteristics of NDPB boards discussed previously, it questions the extent to which they function as a conventional group. This section aims to gain an insight into how NDPB boards differ from other forms of organisational workgroups.

In seeking to gain an insight into the dynamics of NDPB boards, it is acknowledged that boards fulfil Uhlfelder's (1997 p70) definition of a group as being "two or more people coming together for a purpose. These people need to interact with each other, depend on each other and have a mission to accomplish". Nevertheless, the previous chapter has highlighted that the composition of NDPB boards is influenced by its ownership structure and legislative origins. Furthermore, research suggests that boards meet only every two months or so (for example, research by Monks and Minow (1995) indicated seven meetings per annum; research by Pye and Pettigrew (2005) indicates six meetings), and although these meetings typically last for most of a working day and may incorporate a dinner or extended lunch for the purposes of social interaction, the majority of boards only spend in the region of two weeks out of every year in the presence of their workgroup colleagues. Such arrangements mean that board members do not need to be based in close geographic proximity to their NDPB. With these factors in mind, this thesis is of the view that insights can be gained into the dynamics of the NDPB board from the organisational behaviour literature by identifying the type of group that a NDPB board most closely resembles, as each type of group exhibits its own characteristics (Bettenhausen, 1991).

Teams are traditionally considered to be groups of people brought together for a period of time to work towards a common goal. Central to the concept is the notion of interdependence, which assumes that "in order for the team to function optimally each team member is dependent on all others to perform to the best of their abilities (as some team members will have expertise or knowledge in areas that others will not)"(McIntyre *et al.*, 2007 p548). Moreover, teams are assumed to be identifiable. Luft (1984), for example, defines a team as a group in a work environment that is distinguishable by its: a) part of a unit whereby people can tell who is in or out of the team, b) specific tasks to perform for which its members are collectively responsible; and c) own operational setting. By adopting this approach, it is possible to consider a NDPB board to be a team because it has a formal responsibility that is set out in the Management Statement/Financial Memorandum, and operates primarily through a series of board meetings.

Nevertheless, when considered in the context of Bettenhausen's (1991) review of group dynamics, which assumes that the mode of interaction and communication within a team is fundamental to its dynamics and is affected by its structure and technology environment as well as its size and composition, it becomes apparent that NDPB boards are not conventional teams. Firstly, as indicated in Figure 6, the board of a NDPB is sometimes difficult to define, albeit that the non-executive component of the board is clearly identified. Secondly, in contrast to conventional teams, the nature and frequency of board meetings means that board members spend little time in face-to-face contact with each other. Thirdly, board members are in receipt of considerable amounts of information relating to their NDPB. Such information is communicated via technological means as well as in person during board meetings and other face-to-face gatherings. These characteristics suggest that NDPB boards are not conventional teams. However, their characteristics also suggest that they are not virtual teams as virtual teams do not spend any time together face-to-face. Indeed, in their summary of the advantages and disadvantages of virtual teams, Bergiel *et al* (2008) refer to Lipnack and Stamps' (2000 p18) definition of virtual teams to describe them as "groups of people working interdependently with a shared

purpose across space, time and organisational boundaries, using technology”. The virtual team literature is underpinned by the assumption that virtual team members rely on technology rather than face-to-face contact to communicate (Cousins *et al.*, 2007, Mihhailova, 2007).

Instead, this thesis is of the view that NDPB boards function by occupying a dynamic position on a continuum between conventional teams and virtual teams, such as that discussed by Fiol *et al* (2005) and Griffith and Neale (2001) in their discussion of information processing in traditional, hybrid and virtual teams. This description is appropriate because it takes into consideration the dynamic nature of board interaction, which varies from face-to-face communication on a regular basis through board meetings, to their reliance on alternative forms of communication with their colleagues to fulfil their role and responsibilities outwith their meetings. Hence, this thesis is of the view that insights into the dynamics of hybrid teams may offer a useful insight into the dynamics of NDPB boards.

Hybrid teams are characterised by the paradoxical nature of the environment in which they operate and the subsequent implications for how they function. In their discussion of the strategic contradictions inherent within hybrid teams, Cousins *et al* (2007 p461) observe that "hybrid teams face unique challenges that require managers to address a variety of potential paradoxes”. In particular, Cousins *et al* (2007 p461) identify "four sets of paradoxical frames in hybrid teams: remoteness–closeness, cultural uniformity–cultural diversity, rationality–emotionality, and control–empowerment". Remoteness-closeness: remoteness refers to the distance, detachment and asynchronous nature of interaction amongst the team, as well as with the rest of the organisation, whereas closeness is associated with co-location, involvement and synchronous interaction, as defined by Palmer *et al* (2001). Cultural uniformity - cultural diversity reflects the paradox between the homogeneity and heterogeneity that are inherent within a hybrid team. Rationality-emotionality reflects the paradox associated with predictability and rules in contrast with the subjective approach of emotionality. There is evidence within the field of board research to suggest that boards experience similar paradoxical characteristics.

Sundaramurthy and Lewis (2003 p397), for example, agree with Demb and Neubauer (1992 p13-16) who highlight that:

“Board members are expected to provide critical judgment on management performance—which requires an in-depth knowledge of, and intimacy with the affairs of the corporation—and at the same time to assure that this judgment is independent — which requires detachment and distance. [...] The working style of the board must build its collective strength: the board needs the trusting familiarity of a close-knit group, yet members must be independent personalities who can resist 'groupthink' and raise critical questions of colleagues.”

This paradoxical quality is also present in the Management Statement outlining the formal responsibilities of a NDPB board. A NDPB board is tasked with providing leadership and direction as well as monitoring and controlling management. The interdependent nature of these two aspects of the board's remit creates a paradox between the subjective requirements of strategic leadership and the objective demands of controlling and monitoring management. In practice, scholars suggest that this is fuelled by the information flow within the organisation. For example, Boulton's (1978) early examination of the changing role of the board highlights the relationship between the level of board activity and the level of information required by the board in order to fulfil their governance responsibilities. In addition, Tricker (1997) discusses the level of information that boards should have in order to be effective by differentiating between the board's need for internal, organisation-specific information and external, market driven information. His framework for examining board activities illustrates the fluid, interdependent nature of the relationship between the board's monitoring function and its role in providing accountability to the external market. Tricker (1997) in particular articulates the paradox of the board's role in both organisational conformance and performance: on one hand boards are expected to contribute to the long-term performance of the organisation, on the other hand, they are expected to ensure that the organisation is conforming to policies and plans. The information required in each instance is

different, as is the approach demanded of the board in fulfilling their responsibilities. Taylor (2003) takes this point further by discussing the cultural implications of having to balance the entrepreneurial and strategic demands of driving performance with the monitoring and controlling aspects of performance. Given the editorial nature of Tricker's article, he does not, however, examine the role of information as part of the power dynamic between the non-executive and executive members of the board. Aghion and Tirole (1997) discuss the fundamental role that information flow plays in determining where the real authority lies within an organisation. They refer to the work of Herbert Simon to make the distinction between formal authority, "the right to select actions affecting the whole of the organisation" (p1) and real authority, "that is, an effective control over decisions" (p1) and the role that information plays within this dynamic. This is also mirrored in the paradoxical nature of board members' appointment on the basis of a pre-determined number of days per month in contrast with their full-time responsibility for the actions that affect the whole of the organisation.

Despite the implied assumption that a board functions as a homogeneous group (Daily and Schwenk, 1996), this thesis argues that a NDPB board is a heterogeneous group whose composition also contributes to the paradoxical characteristics associated with its dynamics. McNulty and Pettigrew (1999 p48) observe that four main roles have evolved within the boards as a result of its committee structure: chairman, chief executive officer, executive director and non-executive director. Usually, the only formally appointed executive on a NDPB board is the Accountable Officer as the vast majority of executive directors attending the board are by invitation rather than appointment. The primary responsibilities of each role are generally separate and distinct (there are exceptions to this rule: the newly established Caledonian Maritime Assets Limited, for example, has appointed its executive directors to the board). Nevertheless, the private sector origins of the board structure have resulted in an internal hierarchy amongst board members that is determined by their status within the organisation. The chairman holds the highest status as a result of his position as the chair of the board during its meetings. Non-executive members and the Accountable Officer therefore defer to the chairman's

status in matters of board record. The chairman does not, however, have hierarchical authority over the Accountable Officer in areas outwith the operational performance of the NDPB: the Accountable Officer is accountable to the Minister for the financial performance of the NDPB. A number of studies have taken place to gain an insight into the nature and dynamics of the relationship between the Chairman of the board and the Chief Executive of a private sector firm. For example, Pearce and Zahra (1991) examines the relative power of the Chief Executive and the board, Westphal (1998) discusses the influence of increased board independence from management on the behaviour of the Chief Executive, and Roberts *et al* (2005) studies the influence that the relationship between the board and the Chief Executive had on board effectiveness. These studies have drawn from role theory, leadership theory and negotiated order theory in an attempt to understand the nature of the relationship but no consensus has been reached.

3.3.4 NDPB board moderating variables

Although the composition, characteristics and dynamics of a NDPB board all exert an influence over the way in which a board functions as a group, the organisational behaviour literature also highlights that the group dynamics are subject to a range of moderating variables that may vary over time or from group to group. For example, Murphy and McIntyre (2007) include factors such as firm size, stage of firm development, company lifecycle, product lifecycles, external operating environment, competitive pressure, effects of globalization, corporate crises and mergers and acquisitions under the heading of moderating variables. For the purposes of this discussion, this section focuses on examining the extent to which the size and lifecycle stage of a NDPB influence the way in which the board functions before discussing the influence that a range of sector specific characteristics, such as appointment tenure, board member motivation and individual interpretations of the concept of accountability, have on the social processes that underpin the dynamics of the board.

Size of NDPB and board

In seeking to gain an insight into how a NDPB board functions, consideration must be given to the size of the NDPB and its board in order to appreciate the scale of the issues being faced by the board and the number of individuals who contribute to the overall dynamics of the board. Firstly, boards are often larger than other workgroups examined within the management literature (Forbes and Milliken, 1999). The average size of a public limited company board is 13 members (1995), which is slightly larger than the average NDPB board size of 11 (accessed 9 July 2009, www.scotland.gov.uk/Topics/Government/public-bodies/about/Bodies). This appears to be at least double the size of the average managerial workgroup. For example, Carpenter and Fredrickson (2001) examined the characteristics of top management teams from 300 American firms listed on the Standard and Poor's Industrial Index and calculated an average team size of 6.03 (p539, Table 1). In contrast, Amason and Sapienza (1997) studied 48 top management teams as part of their investigation into cognitive conflict and discovered an average team size of 3.44. NDPB boards vary in size from the board of Caledonian Maritime Assets Limited, which has a non-executive chairman and two non-executive board members, to the board of the Cairngorms National Park Authority, which has a non-executive Convenor and 18 non-executive members of the board. Secondly, NDPBs are a heterogeneous group of organisations within the public sector and despite their shared category characteristics, NDPBs range considerably in size and scale. For example, Bòrd Gàidhlig na h-Alba has a staff of 9 and an annual grant-in-aid contribution of £5.4 million, whereas Skills Development Scotland has a staff of 1,412 and a grant-in-aid contribution of £176 million. A full list of Scotland's NDPBs is provided at Appendix 2.

Lifecycle stage of NDPB

The heterogeneous nature of NDPBs draws attention to their variation in age, size and remits. Consideration must be given to the influence that these factors have on the collective skills and experience held by a board at any particular point in time

(Pye and Pettigrew, 2005). Non-executive board members are appointed for a fixed term of between one and five years - the average appointment being for three years - after which they can be re-appointed for a further three years without being subject to open competition provided their skills and knowledge continue to be required on the board (Scottish Executive, 2006). These factors have a moderating influence over the dynamics of the board because they have an impact on each organisation's "predisposition to act in a certain way either because of its rule orientation or because of its past performance" (Ashmos *et al.*, 1998 p26). Furthermore, the environment in which a NDPB board operates at any particular point in time influences board priorities and the possibility that government may need to re-impose control at times of controversy through the appointment of 'interim' board members in times of crisis (Flinders, 2004).

Social processes

In addition to the size and lifecycle stage of the NDPB and the size of the board, consideration must also be given to the moderating influence that social processes have over individual groups. Current research indicates that traditional face-to-face teams are significantly more constructive in their interaction than virtual teams (Branson *et al.*, 2008). Nevertheless, despite the difficulties involved in making generalisations between private and sector board findings, current research highlights that boards are affected by a range of social processes. Although the majority of reference material in this area is derived from studies of private sector boards, the findings offer a framework for identifying such processes rather than confirmation that such processes exist in the public sector environment.

Firstly, the length of tenure of each individual board member may exert an influence over the dynamics of the group as a result of the social processes that have developed amongst board members over time. Indeed, in his discussion of real power in the context of corporate governance, Simmonds (1999) argues that extended tenure leads to issues of embedded power as individuals seek to exert their authority over newcomers to the board.

Secondly, Hambrick *et al* (2008 p382) observe that "most current board research tends to treat the board as a homogeneous unit, taking actions as a group on the basis of some sort of statistical mean of characteristics, backgrounds and experiences of those involved". Such an approach does not, however, take into consideration the social processes and power dynamics that are inherent within each individual board (Pye and Pettigrew, 2005). Indeed, in their study of the relationship between the chairman and chief executive on a board, Roberts and Stiles (1999 p46) observe that a "virtuous circle of relationship building" takes place because "it is not the roles that determine the outcomes of the relationship but rather the relative skills, experience and instincts of the individuals, and in particular the discipline that they bring to the conduct of their responsibilities" (p47).

Thirdly, Westphal provides a number of further insights in this area by drawing attention to the relationship between: a) the social ties between the Chair and Chief Executive and the positive correlation associated with a board that provides advice and counsel to the Chief Executive (Westphal, 1999); b) how prior experience and external social ties with other board members is shown to assist demographic minority board members with creating a perception of similarity with the majority (Westphal and Milton, 2000); and c) how the strategic context in which board members have gained social network ties is an important factor in predicting their involvement in strategic decision-making (Carpenter and Westphal, 2001).

Fourthly, in their discussion of the future of corporate governance research, Hambrick *et al* (2008) draw attention to the lack of understanding that exists within the field of board research as to why non-executive directors serve on boards. To date, research has been directed towards the assumption that the behaviour of agents is determined by the philosophical models of man on which governance theories are based. Yet to appreciate the extent to which social processes exert a moderating influence over the way in which a board functions, the moderating influence of board member motivation must also be taken into consideration.

Fifthly, the discussion of NDPB board dynamics in section 3.3.3 drew attention to the presence of four different roles within each board: chairman, chief executive officer, executive director and non-executive director. In considering the influence that these roles have on the dynamics of each board and how it functions, consideration must be given to the power differentials that are omnipresent within the board as a result of these positions. French and Raven (1959), for example, posit that power exists in five forms: coercive power, which is the power to force someone to do something against their will; reward power, which is the power to give other people what they want; legitimate power, which is that which is invested in a role; referent power, which is the power conceded by another person in pursuit of acceptance; and expert power, which is that which is gained through superior knowledge and skill.

The discussion thus far intimates that all five forms of power may be present within the board in the context of its structure as a hybrid team. For example, the discussion in section 3.3.3 drew attention to the four specific roles on the board, indicating the potential presence of legitimate power. Individual board members are appointed on the basis of merit, as discussed in section 2.2, suggesting that they may be in a position to exert power over other board members as a result of their specific knowledge or expertise. The same may apply to those who are appointed on the basis of merit but who are also highly regarded in their field in that they may be in a position to exert referent power over other members of their board. It is acknowledged, however, that in addition to the forms of power within the group, individual board member behaviour may also significantly influence others' perceptions of their individual power (Brass and Burkhardt, 1993). In particular, the Accountable Officer occupies a dichotomous position as a result of their concurrent positions as a board member and executive. In section 5 of the Memorandum to Accountable Officers of Other Public Bodies (Scottish Government, 2009), it sets out that where the Accountable Officer is:

"... also a member of the Management Board of the body, you should ensure that your responsibilities as Accountable Officer do not conflict with those as a Board member. For example, if the body proposes action which as Accountable Officer you could not endorse, and would therefore advise against, you should, as a Board member, vote against such action, or ensure that your opposition as a Board member as well as Accountable Officer is clearly recorded if no formal vote is taken. It will not be sufficient to protect your position as a Board member merely by abstaining from a decision which cannot be supported".

The same applies to the sponsor departments' relationships with Ministers and Accountable Officers. Furthermore, inherent within the non-executive board is an agency relationship between the chairman of the board and the non-executive members because the chairman is in a position to delegate a specific domain of decision problems to individual or groups of non-executive board members through sub-committees such as the Audit Committee. Pettigrew and McNulty (1995 p845) discuss the impact of such power and influence within the boardroom and highlight that the power of the board is "shaped by the simultaneous and interactive effects of a set of structural and contextual factors, position and skill in mobilizing a constellation of power sources, and skill and will in converting potential power into actual influence".

Finally, the role of the board as an accountability mechanism in the public sector is discussed by Hood in his discussion of the "the intellectual provenance of [NPM] ideas, explanations for their apparent persuasiveness in the 1980s and criticisms which have been made of the new doctrines" (Hood, 1991 p3). He refers to the experiences of a number of OECD countries to highlight that one of the key benefits associated with the implementation of a board structure within public sector organisations is the perception that it provides a clear structure within which to assign responsibility and accountability. Although the board structure provides the perception of a clear line of accountability, as observed by Addicott (2008), public

sector boards "operate within a highly politicised context, with a complex and unclear purpose and accountability structure" (p149), which has a direct bearing on the nature of the social processes that underpin the dynamics of the board.

As discussed in the previous chapter, the Minister is accountable to Parliament for the performance of the NDPB. In turn, the Chief Executive in their capacity as Accountable Officer is "personally answerable to the Scottish Parliament in accordance with section 15" of the Public Finance and Accountability (Scotland) Act 2000 (Scottish Government, 2009 p1) and has a "**personal** responsibility for the propriety and regularity of the public finances" (Scottish Government, 2009 p1, original emphasis). At the same time, however, the Chief Executive has "accountability to the Board for the overall organisation, management and staffing of the public body" (Scottish Executive, 2006 p3-10). The Management Memorandum however does not indicate that the board is accountable for the NDPB performance. Instead, it indicates that the board has a "corporate responsibility for ensuring that the NDPB fulfils the aim(s) and objectives set by the Scottish Ministers" (Scottish Government, 2010a section 3.5.2). In terms of accountability, board members are held "accountable for [their] decisions and actions to the public" (Scottish Executive, 2006 p5-13) and their involvement with the board can be questioned under the Freedom of Information (Scotland) Act (2002) and they are also subject to public scrutiny through the media. The complexity of the structure is further intensified when considered in the context of the Management Memorandum's directive that "Communications between the Board and the Scottish Ministers shall normally be through the Chairman. The Chairman shall ensure that the other Board members are kept informed of such communications" (Scottish Government, 2010a section 3.4.6).

The term accountability is thus "an evocative concept that is all too easily used in political discourse and policy documents because it conveys an image of transparency and trustworthiness" (Bovens *et al.*, 2008 p226). Gidden's (1984) definition of accountability is used by Roberts, McNulty and Stiles (2005) and Huse (2005) in their discussions of accountability in the board room: "[To] be accountable for one's actions is to explicate the reasons for them and to supply the normative

grounds whereby they may be justified" (p30). However, accountability has different objectives in shareholder versus stakeholder oriented organisations (Aguilera, 2005, McNulty *et al.*, 2005). As a result, individual board members interpret their own sense of personal and public accountability in different ways, the collective result of which differs from board to board and it ultimately influences how the board functions. For example, in the context of the private sector, Roberts *et al* (2005) suggest that accountability is achieved by a process of interaction between the board and executives that includes challenging, questioning, probing, discussing, testing, informing, debating, exploring and encouraging. The balance between challenging and encouraging adopted by individual board members or the collective board may influence the social processes that underpin how the board functions.

Roberts *et al* (2005 pS10) refer to the work of Czarniawska-Joerges (1996) and Douglas (1986) respectively to describe accountability as "'a central concept in understanding social action' and 'a foundation stone of modern institutions'". However, the extent to which it may moderate the way in which a NDPB board functions can be seen from the work of Bovens *et al* (2008). These scholars identify three dominant theoretical perspectives from which to consider how the concept of accountability might exert a moderating influence over the way in which a NDPB board functions: the democratic perspective, the constitutional perspective and the learning perspective.

From the democratic perspective, "accountability controls and legitimizes government actions by linking them effectively to the 'democratic chain of delegation' (ibid. p231). Reminiscent of the ideas of Rousseau and Weber, this view places great importance on ensuring that citizens have a means of ensuring that public servants are answerable for their actions and "is often conceptualized in terms of a 'principal-agent' model" (Bovens *et al.*, 2008 p230). This suggests that the way in which a NDPB board functions may be influenced by board members' perceptions of the degree of risk associated with the consequences of their actions and the extent to which they are held accountable. From the constitutional perspective, "Accountability is essential in order to withstand the ever-present tendency toward

power concentration and abuse of powers in the executive branch” (Bovens *et al.*, 2008 p230) according to the constitutional perspective. From this perspective, the rise in volume of NDPBs within the UK in recent decades has emphasised concerns in this area because, as Flinders observes in his examination of how delegated governance has evolved, the increase in NDPBs has challenged the constitutional processes of accountability. When originally created, NDPBs “were not intended to be visible landmarks on the constitutional hierarchy” (Flinders, 2004 p779). Instead, they were intended to operate at arm's length from Ministers and thus out of the way of extended public scrutiny. Furthermore, a MORI report examining the perceptions of the public appointments process highlighted that "public appointments are not viewed from those within government as a 'job', but as a 'position'" (2005 p53). Finally, the learning perspective is based on the assumption that by operating within the full view of the public, “accountability provides public office-holders and agencies with feedback-based inducements to increase their effectiveness and efficiency” (Bovens *et al.*, 2008 p232). These perspectives highlight the degree of variability that issues of accountability may exert over the functioning of a NDPB board. Indeed, such factors have contributed towards Roberts *et al's* (2005 pS16) observation that, "within board processes of accountability, non-executive independence is then typically understood in terms of retaining an 'independence of mind' and the confidence to exercise it in boardroom discussions".

3.4 The relationship between the role and composition of a NDPB board and how it functions in a decision-making context

This chapter has focused on discussing the influence that a number of public sector specific characteristics have on the role, composition and functioning of NDPB boards by studying each aspect individually. Nevertheless, this discussion takes place however against the backdrop of the assumptions outlined in section 1.2. In particular, it assumes that the cumulative influence of the factors that shape the structure or composition of an organisation or group defines its "tasks and responsibilities, work roles and relationships and channels of communication" (Mullins, 2002 p906). Thus, to appreciate the impact that these public sector

characteristics have on the role of a NDPB board and how it functions, the relational nature of the public sector environment must be taken into consideration. By adopting the principles of a simple input-process-output model Figure 9 aims to encapsulate: a) that the public sector environment shapes the intended role of the NDPB board; b) that the intended role of the NDPB board shapes the characteristics of the NDPB board, which has a direct bearing on the dynamics of the board but both are subject to the moderating influence of internal and external factors and evolve over time; and c) that the way in which a NDPB board functions influences the extent to which the intended role of the NDPB board is realised.

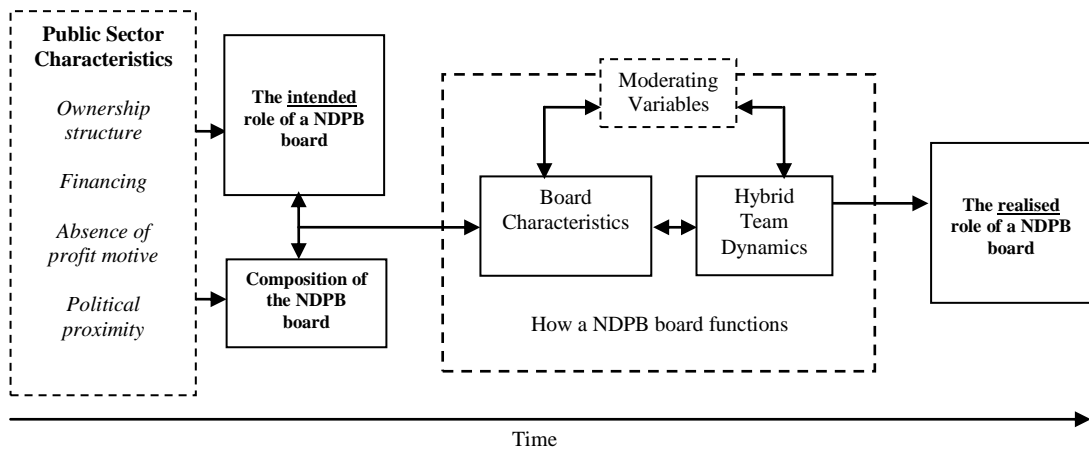


Figure 9: Sector specific factors influencing the role of a NDPB board and how it functions

The dotted line that surrounds the box encompassing public sector characteristics represents the fact that these characteristics are not finite in their number and they are not immune to the influence of other external environmental influences. Although the role and composition of NDPB boards are inextricably linked by legislation, the model separates the two components to emphasise that both aspects have distinctive characteristics in their own right. The importance of the relationship between these two aspects is represented by the dual-ended arrow that joins the two boxes. Furthermore, as the discussion in the previous chapter highlighted, there is evidence to suggest that the intended and realised role of a board may differ. Even though this evidence is based on findings from the private sector environment, to ignore the possibility that it may also occur in the public sector would be misleading. The dotted line that surrounds the model's representation of how the board functions is intended for two reasons. Firstly, it is intended to represent that the non-executive

board functions as a workgroup in its own right but that the actual board of a NDPB is difficult to define, as highlighted in the previous chapter. Secondly, it is intended to represent that the non-executive board is subject to: a) the influence of both internal and external environmental factors arising in connection with their NDPB; b) the influence of external factors encountered during the course of their activity outside their board role and responsibilities; and c) the influence of a wide range of moderating variables. The dual-ended arrow between the board characteristics and hybrid team dynamics acknowledges the interdependent nature of these two aspects of a board's composition, particularly given that both aspects are subject to the influence of a range of moderating variables. Furthermore, the dual-ended arrows between board characteristics and hybrid team dynamics, and the moderating variables, also convey that the impact of the moderating variables may also be moderated by the characteristics and dynamics of the board at any point in time.

Nevertheless, although the choice of moderating variables under discussion was influenced by Murphy and McIntyre's (2007) examination of the same, the discussion also suggests that the relationship between a NDPB board and its Minister exerts a moderating influence as Ministers are either directly or indirectly involved in the composition of the board and in its activities over time. For example, the length of an individual's tenure as a board member is the product of a ministerial decision. The lifecycle stage of a NDPB is also the product of a series of ministerial decisions that have been influenced by party politics since the NDPB was established. In addition, the dynamics of the board are based on a relationship between non-executive and executive members of the board. Hence to fully understand how a NDPB board functions within a decision-making context, further attention must be directed towards gaining an insight into the nature of the relationship between a NDPB board and its Minister.

3.5 Chapter Summary

Having discussed the influence that the ownership structure, financing, profit motive and political proximity have on the role and composition of a NDPB board, this

chapter examined the influence of sector on how a NDPB board functions. It drew attention to the interdependent relationship between board composition, characteristics and dynamics and the extent to which they are moderated by a number of environmental variables. The following chapter aims to build on this discussion to examine the nature of the relationship between a NDPB board and its Minister and its influence over the role of the board in a decision-making context. To achieve this it draws from stakeholder theory to offer an insight into the nature of the relationship before examining the influence of the relationship on the boards' role in the strategic decision-making process of their NDPBs.

4. The relationship between a NDPB board and its Minister: A stakeholder perspective

4.1 Introduction

The aim of this chapter is to gain an insight into the nature of the relationship between a NDPB board and its Minister and the influence that this relationship has over the role of the board in a decision-making context. To achieve this, the chapter comprises two parts. The first part turns to stakeholder theory and stakeholder management theory to offer an insight into the relational nature of organisational life in which NDPB boards function. The second part examines the influence of the relationship on the role of the NDPB board in a decision-making context. To achieve this it uses the strategic decision-making process of the NDPB as the context for its discussion. This discussion leads to five core research questions, which form the basis of the empirical research. The following chapter provides an overview of the methodological and analytical processes used to carry out this research.

4.2 Adopting a stakeholder perspective of a NDPB board

Chapter 3 examined the influence of public sector specific characteristics on the role, composition and functioning of NDPB boards to support its view that the domain of decision problems delegated to a NDPB board differs from its private sector counterparts. This discussion argued that the relationship between a NDPB board and its Minister is not underpinned by the same agency costs experienced by private sector boards as outlined in section 2.4. Instead, the agency costs are mitigated by the Management Statement as it reduces the risk of conflicting desires or goals, highlights the role of the civil service sponsor department in monitoring the executive, and diminishes the problem of risk sharing by setting out the terms of the

relationship. These points emphasise the view that although the relationship between a NDPB board and its Minister can be described in terms of a principal-agent relationship, the nature of the relationship is much more complex due to political environment in which the relationship takes place (Mayston, 1993). Thus, this thesis has argued that the conventionally used agency theory perspective, which assumes that the role of a board is shaped by contingent factors inherent within the internal organisational environment, is not in a position to take into consideration the influence of the complex political environment in which public sector boards operate. It is against this backdrop that this thesis aims to adopt a more holistic perspective to its study of NDPB boards. It is of the view that the nature of a NDPB board's relationship with its Minister is akin to that of a stakeholder in their NDPB and the public sector as a whole, rather than a specific vehicle for performance or conformance in one organisation. This view is in line with greater calls for reconciliation between economic and organisational perspectives (Eisenhardt, 1989, Judge and Zeithaml, 1992).

At the heart of stakeholder theory's ideological appeal lies the "relational nature of organizational life [acknowledging] the different kinds of the relationships and the stakes on which these relationships are based" (Antonacopoulou and Méric, 2005 p30). Stakeholder theory has evolved as a means of explaining organisational characteristics and behaviours in recent years (Donaldson and Preston, 1995). Descriptive and empirical research illustrates its use in describing the nature of the firm. For example, Jawahar and McLaughlin (2001) develop a descriptive stakeholder theory that illustrates the extent to which certain stakeholders vary in their potential to satisfy critical organisational needs at any given stage in the lifecycle of the organisation and that the strategies used by organisations to manage their stakeholders depends on the extent to which stakeholders satisfy critical organisational needs. Ogden and Watson (1999), on the other hand, examine a major contention of stakeholder theory, "namely that a firm can simultaneously enhance the interests of its shareholders and other relevant stakeholders" (p526). Their findings indicate that, despite the cost involved in improving service performance, shareholder returns also respond positively to the improvements. This finding is

considered consistent with stakeholder theory. Stakeholder theory has also been used as a support for "identifying connections or lack of connections between stakeholder management and the achievement of traditional corporate objectives" (Donaldson and Preston, 1995 p71) and in interpreting the function of the organisation.

In their discussion of the descriptive accuracy, instrumental power and normative validity of stakeholder theory, Donaldson and Preston (1995) developed a stakeholder model based on the work of Freeman, whose contribution to the field is considered to have been pioneering (Jones, 1995). Replicated in Figure 10, their model suggests that stakeholder relationships are "dyadic, independent of one another, viewed largely from the firm's vantage point, and defined in terms of actor attributes" (Frooman, 1999 p191). In effect, stakeholder relationships with the firm exist independently of each other.

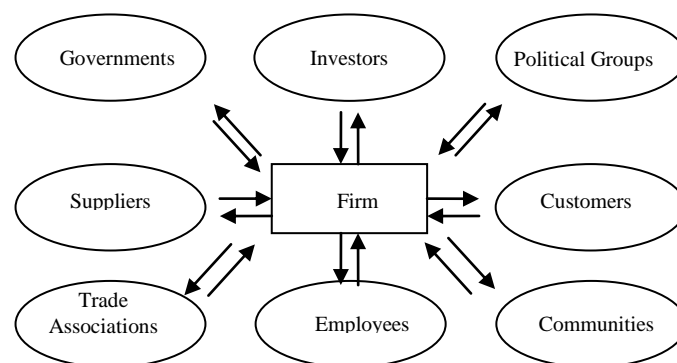


Figure 10: Donaldson and Preston's Stakeholder Model
Source: Donaldson and Preston (1995 p69)

In this context, a stakeholder "can affect or is affected by the achievement of the organisation's objectives" (Freeman, 1984 p46) and thus the term can be used to describe individuals or groups that are either internal or external to the organisation. Furthermore, individual stakeholders may interact with each other outside the context of their interaction with the organisation, which creates an indirect influence over the organisation. Donaldson and Preston's model in Figure 10 is therefore amended to also include the independent stakeholder relationships that have an indirect influence on the organisation as well, as illustrated in Figure 11.

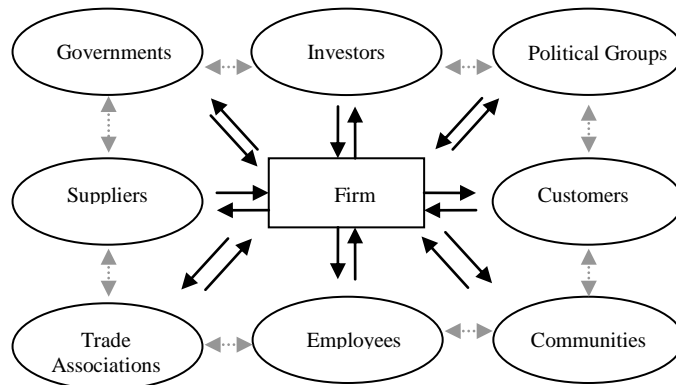


Figure 11: Donaldson and Preston's Stakeholder Model amended to reflect interdependent relationships

Source: Donaldson and Preston (1995 p69) Amended by Author

Considering the NDPB board in the context of the amended Donaldson and Preston Stakeholder Model highlights the issues raised in the previous chapter in the context of the public sector environment's influence over the role, composition and functioning of a NDPB board. In particular, it highlights that a NDPB board is just one of a number of stakeholders in a ministerial portfolio and in the public sector in general. It also draws attention to the focused nature of a NDPB board's relationship with its Minister but that its relationship is also subject to the influence of other stakeholders, such as the civil service sponsor department or the Accountable Officer. Thus, this thesis is of the view that stakeholder theory offers a relevant insight into the characteristics of the relationship between a NDPB board and its Minister.

4.3 Characteristics of the relationship between a NDPB board and its Minister

By drawing from stakeholder theory and stakeholder management theory, four characteristics of the relationship between a NDPB board and its Minister become apparent: firstly, both parties enter into a formal relationship with each other; secondly, the power dynamic between the board and its Minister is fuelled by formal and informal sources of power; thirdly, the relationship is subject to being managed

by both parties; and fourthly, the relationship is subject to the influence of other stakeholders through independent relationships between other stakeholders and the Minister and/or the influence of a NDPB board's relationship with other stakeholders. Each of these characteristics is discussed in turn in this section.

4.3.1 Both parties enter into a formal relationship with each other

Thompson *et al* (1991 p209) define a stakeholder as one in a "relationship with an organisation" during the course of their discussion of the relationship between corporate social performance and stakeholder management. Such an approach is akin to moral stakeholder theory in that it takes a holistic view of the influence of the organisation and its stakeholders rather than strategic stakeholder theory, which focuses on economic efficiency and business performance (Maharaj, 2008). The broad nature of its definition encapsulates the implications of stakeholder involvement in economic and social terms, as discussed by Thompson *et al* (1991) and referred to by Maharaj (2008) in their discussions of the same. Its reference to the achievement of objectives is also a reminder that the formal relationship between the two parties is designed with the pursuit of ministerial rather than stakeholder priorities in mind. Furthermore, its reference to the stakeholder as one that 'can affect or is affected by' indicates that the relationship between the two parties can be "unidirectional or bidirectional" (Mitchell *et al.*, 1997 p856) albeit that the balance of power remains with the minister.

The United Kingdom constitution has evolved in a piecemeal fashion over time to become the liberal democracy that it is today (Leyland, 2007) and the public sector environment that it creates embodies the relational nature of organisational life. The constitution embraces the premise of liberty and individual rights but at the same time it must manage the tension between the "need to protect individual rights versus a 'laissez-faire' orientation that limits government intervention" (O'Leary, 2007). NDPBs represent this tension in practice. Created to operate at arm's length from Ministers and therefore be independent of intervention, they remain funded by Government and required to deliver the policies of the government party in power at

the time. Nevertheless, as servants of the Crown, non-executive NDPB board members are appointed to represent the interests of the Minister. The parameters of a NDPB board's responsibilities are determined by the interests of the Minister, which in turn are bound by the nature of ministerial appointments, their responsibility to their constituents, to Parliament and to their political party. Hence the balance of power remains with the Minister within the context of a NDPB board's formal relationship with its Minister as set out in the Model Management Statement/ Financial Memorandum (Scottish Government, 2010a) outlined in the previous chapter. These documents set out the ministerially agreed parameters of the NDPB boards' remit in relation to the NDPB. The duration of the relationship is rooted in the legislative origins of the NDPB, as NDPBs are either established with a fixed lifetime in mind (Cabinet Office, 2007) or may be wound up once they are deemed to have fulfilled their objective (Cabinet Office, 2006a).

Furthermore, stakeholder theory posits that a stakeholder's relationship with an organisation is based on "legitimate interests [for] participating" (Donaldson and Preston, 1995 p68). Nevertheless, their position as stakeholder guarantees "no implication or necessity of reciprocal impact" (Mitchell *et al.*, 1997 p856) on the part of the organisation. These factors are reflected in Carroll's (1993) definition that a stakeholder "asserts to have one or more of the kinds of stakes in the business" and Langtry's (1994) definition that a stakeholder is an entity whereby "the firm is significantly responsible for their well-being or they hold a moral or legal claim on the firm" (p433), which is based on a discussion of "the normative ethical theory of the business advanced by William E Evan and R. Edward Freeman" (p431).

4.3.2 The power dynamic of the relationship is based on formal and informal sources of power

In the context of this research, stakeholder theory suggests that the balance of power within the relationship between a NDPB board and its Minister falls to the Minister rather than the board. This was highlighted in the previous chapter, which drew attention to the formal influence that the Minister has over the degree of

independence enjoyed by a NDPB. The extent to which this formal power differential manifests itself can be viewed from three interdependent perspectives: hierarchical authority, resource control and network centrality. These perspectives are set out by Astley and Sachdeva (1984) in their theoretical synthesis of the structural sources of intraorganizational power, which draws from Pfeffer's (1981) supported contention that "power is 'context specific'" and offers "a context-specific analysis of power that is particularly applicable to social relationships within formal organizations" (Astley and Sachdeva, 1984 p104).

Hierarchical authority

Power-dependence theory, which was popular in the 1960s due to the work of scholars such as Emerson and Peabody, led to the study of functional rather than formal sources of power. Astley and Sachdeva, however, also draw attention to "the importance of hierarchical authority, a concept that is not based primarily on the analysis of dependence" (1984 p105). Research in this area is "grounded in the conception of power as something that inheres in official positions" (Astley and Sachdeva, 1984 p105). By adopting this research from a stakeholder perspective, this thesis recognises the presence of a power differential between a NDPB board and its Minister due to the Minister's position as the primary organisational representative. Thus, in this context, the Minister is viewed as having hierarchical authority over a NDPB board. It also suggests that the Minister has hierarchical authority over the Accountable Officer of the NDPB but raises questions as to the extent to which hierarchical authority defines the relationship between a NDPB board and its Accountable Officer.

Resource control

Scholars such as Pfeffer and Salancik (1978) have examined the extent to which power is derived from controlling the supply of resources, the principles of which apply at individual and organisational levels. Astley and Sachdeva (1984 p106) are of the view that "resources ultimately are derived from the environment", contending that "organizations are open social systems that require a supply of resources from the environment in order to sustain their operations". Nevertheless, as previously

discussed, a NDPB board's relationship with the organisation appears to be rooted in the concept of a social rather than economic exchange. From a stakeholder perspective, this suggests that the Minister determines the parameters of its relationship with a NDPB board due to its power over the financial resources that fund the NDPB.

Network centrality

Astley and Sachdeva discuss network centrality as a source of structural power within an organisation by drawing attention to the "interconnecting workflows that form a relatively stable network of patterned interactions" (1984 p106) as a result of the interaction between the various branches within an organisation. Thus, the more complex organisation, the more intensely populated the network of interactions. Thus, power is attached to those at the centre of such networks as a result of their "immersion in multiple interdependencies [which] makes them functionally indispensable" (1984 p106). From a stakeholder perspective, this places the Minister at the central point albeit that a NDPB board does reflect what Aghion and Tirole (1997) refer to as 'formal authority', in that it is the result of "an explicit or implicit contract allocating the right to decide on specified matters" (p2) resulting from their agency relationship with the Minister. However, by viewing a NDPB board as a stakeholder, the reach of its formal authority comes into question because "formal authority (the right to decide) and real authority (the effective control over organizations) within organizations" (Aghion and Tirole, 1997 p1) are two different concepts.

In addition to the influence of these formal sources of power, in their critique of stakeholder theory, Antonacopoulou and Méric observe that "what is at stake by definition is socially defined and pursued both individually and in community depending on the degree of interdependence between one or more parties" (2005 p30). This reflects the view that the relationship between a NDPB board and its Minister is based on the principle of social exchange and is also supported by Yesilkagit (2004), whose discussion of the design of public agencies suggests that the tension that arises is underpinned by the social exchange that makes a "degree of

autonomy possible within a broader framework of political control of policy" (p119). This suggests that the power dynamic of the relationship between a NDPB board and its Minister is also influenced by socially defined sources of power albeit that in his discussion of organisational versus environmental sources of influence, Jemison (1981 p86) finds that "position power is relatively more important than expert power". In particular, as an entity in its own right, a stakeholder must balance its own objectives with the objective of the organisation. Hence, the stakeholder perspective suggests that a NDPB board must maximise the benefits of the relationship when it is bidirectional as it is unable to influence the relationship when the Minister adopts a unidirectional approach to the relationship. For example, if a political decision is made by the Minister that differs from the decision favoured by a NDPB board, this stakeholder perspective suggests that the relationship becomes unidirectional as a NDPB board is not in a position to overturn the political decision. In contrast, NDPB board members are appointed on the basis of merit but are selected on the basis of their relevant skills and experience. In situations where the Minister requires the expertise of a NDPB board, the relationship between the two parties becomes bidirectional. These points emphasise the dynamic nature of a NDPB board's interaction with the organisation, in particular, the nature of their individual relationships fluctuate between being unidirectional to bidirectional according to context. Furthermore, the interchangeable nature of the informal power dynamic between the parties is indicative of the earlier proposition that the degree of independence experienced by the NDPB is a fluid concept, one which is determined by ministerial judgement. It reflects the previous chapter's observation that the dynamics of the board as a workgroup may also be subject to the influence of French and Raven's (1959) five forms of power and the individual behaviour of board members on each board (Brass and Burkhardt, 1993).

4.3.3 Both parties manage their relationship with each other

Stakeholder management theory has been "embedded in management scholarship and in managers' thinking" (Donaldson and Preston, 1995 p65) since the publication of *Strategic Management: A Stakeholder Approach* (Freeman, 1984) and it suggests

that stakeholders are entities to be managed by the organisation. By adopting a stakeholder view of a NDPB board, this suggests that a NDPB board is an entity to be managed by its Minister. In this context, a distinction is made between what Donaldson and Preston term *normative* and *instrumental* recognition of stakeholders within stakeholder theory. Normative approaches identify stakeholders by "their interests in the corporation, whether the corporation has any corresponding functional interest in **them**" (1995 p67, original emphasis). Instrumental approaches identify stakeholders on the basis of the value that they add and their role in the overall survival of the firm. The Institute of Government (2010) guidance notes on establishing successful relationships between Ministers and public bodies highlight that "most Ministerial Departments are managed using what is known as a 'hub model' of public sector management" (p1), which involves NDPBs, for example, being "effectively sponsored by their 'parent department' to undertake certain functions" (p1). The guidance notes acknowledge the formal framework agreements that underpin the relationship between Ministers and public bodies but stress that the "key to successful relationships lies not in these documents but in the dynamics of the personal contact between the responsible Minister, officials and organisation itself" (p1). Nevertheless, as well as being a stakeholder, a NDPB board is also the product of a number of stakeholders, particularly when considered in the context of the tripartite composition mentioned in the previous chapter. Hence, stakeholder theory suggests that NDPB boards also seek to manage their stakeholder relationships.

4.3.4 The relationship is subject to the influence of other stakeholders

By adopting a stakeholder view of NDPB boards, the direct and indirect influence of other stakeholders over the relationship between a NDPB board and its Minister becomes apparent, in particular the influence of the civil service sponsor department and the Accountable Officer as stakeholders. Firstly, the sponsor department has a formal relationship with the Minister, as does the Accountable Officer, as indicated in the previous chapter. These relationships are independent of a NDPB board's relationship with the Minister but their indirect influence must be taken into

consideration their interest in the organisation is also a legitimate one. Secondly, the NDPB board has a formal relationship with the Accountable Officer and the sponsor department, and although these relationships are independent of the board's relationship with the Minister they still exert a direct influence the relationship. To illustrate, Figure 12 draws from the principles of the amended Donaldson and Preston Stakeholder Model to illustrate these stakeholder relationships by placing the Minister at the centre of the hub.

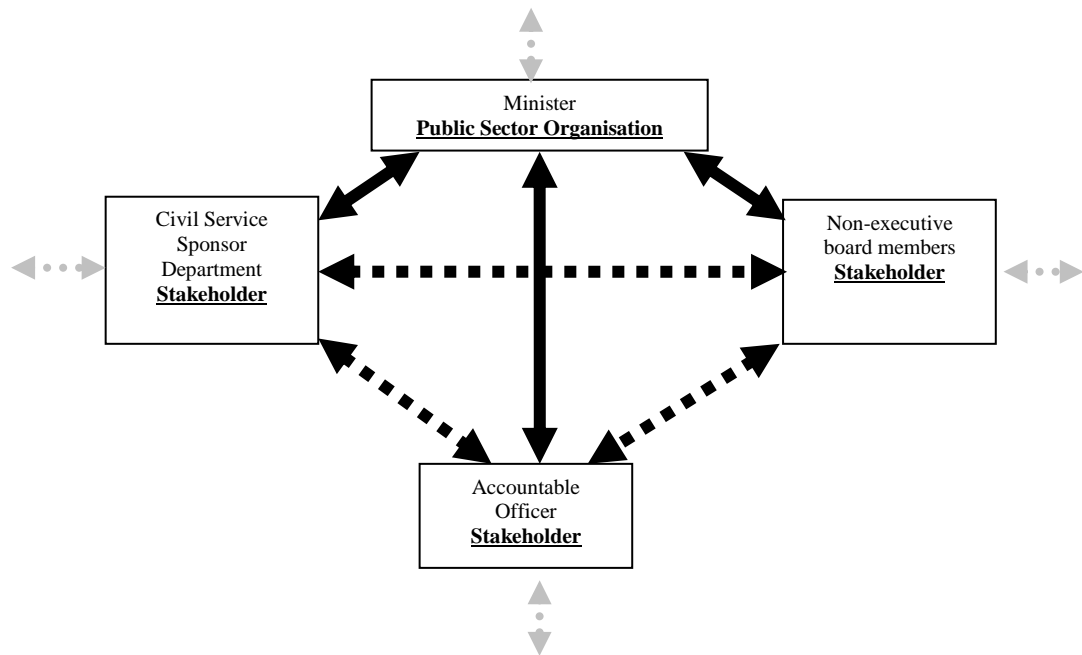


Figure 12: The stakeholder relationships between a NDPB board, the civil service and the Minister

The solid lines illustrate that the civil service sponsor department, the Accountable Officer and the NDPB board are all stakeholders in the public sector organisation and that each of these has a direct relationship with the Minister. The dotted lines illustrate that the civil service sponsor department, the Accountable Officer and the NDPB board can interact independently and in doing so may influence the nature of their individual relationships with the Minister. For example, the sponsor department and the NDPB board work together on the basis that the sponsor department has a responsibility for applying "a framework of control, accountability and review" to the NDPB in question (Scottish Government, 2006 p1). The interaction between these two parties takes place outwith the presence of the Minister albeit that the outcome

of the interaction has a direct bearing on the NDPB board's stakeholder relationship with the Minister.

The influence of external stakeholders is not, however, limited to the influence of the Accountable Officer and sponsor department. Board members may also have other organisational affiliations (Pye and Pettigrew, 2005). As indicated in the previous chapter, evidence of this is apparent in the public sector due to the tripartite composition structure previously mentioned and the part-time nature of NDPB board appointments, which allow board members to work for other organisations providing any conflicts of interest are declared. These factors suggest that a NDPB board's relationships are also subject to the influence of the individual board members' own external stakeholder relationships that shaped their application. Furthermore, although wealth lies at the heart of a capitalist society, service delivery lies at the heart of the public sector environment in which NDPBs operate. The customers, suppliers and communities that have a vested interest in the services being delivered must be taken into consideration in relation to the extent of their influence as external stakeholders. It is for this reason that the model in Figure 12 uses grey dual-ended arrows to represent the presence of additional external stakeholder influences.

By viewing the NDPB board as a stakeholder, the model in Figure 12 emphasises that the relationship between a NDPB board and its Minister does not happen in a vacuum. Indeed, instead of emphasising the formal role and responsibilities of the NDPB board, the stakeholder model illustrates the role of the board in terms of its relationships with other stakeholders. This encapsulates the social exchange that takes place between a NDPB board and its Minister due to the appointment of board members as servants of the Crown. This also draws attention to the multiple roles that board play as a result of their multiple relationships with different stakeholders. For example, in their agency relationship with the Minister, a NDPB board fulfils a role as an agent, having been delegated responsibility for a particular domain of decision problems in the form of their role and responsibilities. However, in their agency relationship with the Accountable Officer, a NDPB board fulfils a role as principal in that they are in a position to delegate a separate domain of decision problems to the Accountable Officer as part of their role and responsibilities.

Figure 13 illustrates the interchangeable nature of each party's role in their agency relationships by representing the primary agency relationships as solid black lines and the secondary agency relationships by dotted-lines. Hence, the model indicates that, for example, a primary agency relationship exists between the Minister and sponsor department on the basis that the sponsor department acts for the Minister in a specific domain of decision problems. In turn, the model also illustrates that a secondary agency relationship exists between the sponsor department and the Accountable Officer as the Accountable Officer represents the sponsor department in the context of a specific domain of decision problems. The same applies to the primary agency relationship that exist between the Minister and the board, and the secondary agency relationship that exists between the board and the Accountable Officer.

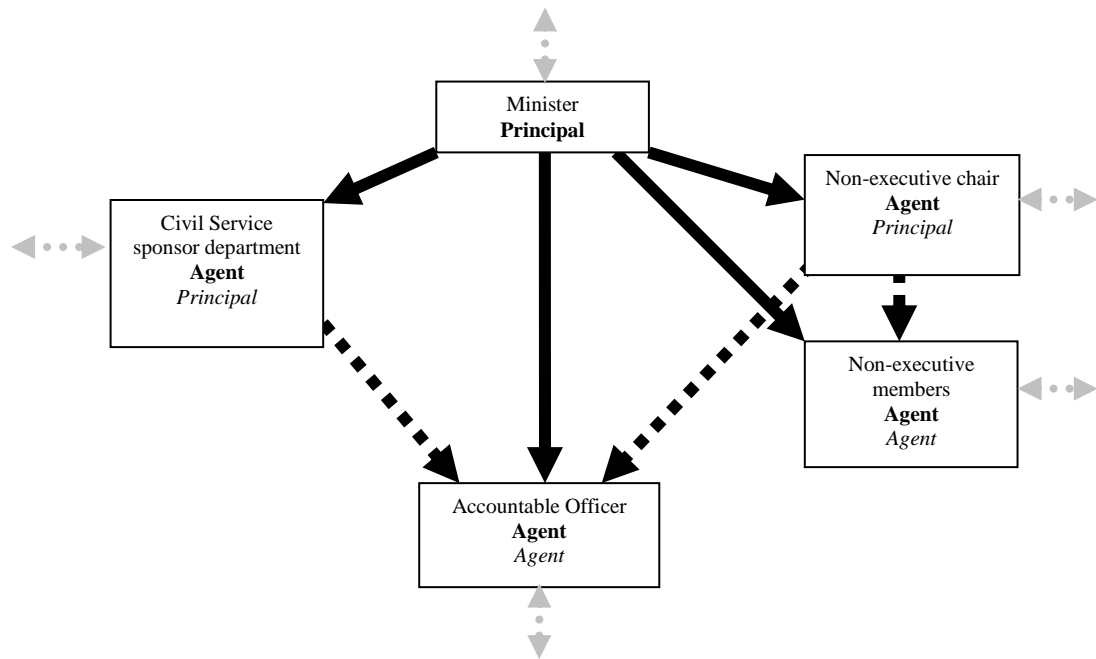


Figure 13: The interchangeable nature of a NDPB board's role: agent and principal

Given that the primary formal relationship exists between the NDPB board and its Minister, the model also suggests that the boards' agent responsibilities are their priority when engaging with other stakeholders. For example, in its relationship with the sponsor department, it is suggested that a NDPB board must juggle its

responsibilities as an agent to the ministerial principal to ensure that it fulfils its obligations to the Minister at the same time as managing its relationship with the sponsor department.

To achieve this, it is suggested that a NDPB board behaves as a steward when initiating interaction with other stakeholders, where a steward is defined as "one whose interests align with his or her principal" (Albanese *et al.*, 1997 p609). This suggestion is based on the assumption that interactions between parties occur as each party tries to fulfil their responsibilities arising out of their primary agency relationship. In contrast, it is suggested that the NDPB board behaves as a stakeholder when interaction is initiated by another stakeholder on the basis that the other stakeholder is primarily acting in the interests of its principal. Figure 14 illustrates this concept and highlights the interchangeable nature of the NDPB board's role in its relationships with the Minister and other stakeholders.

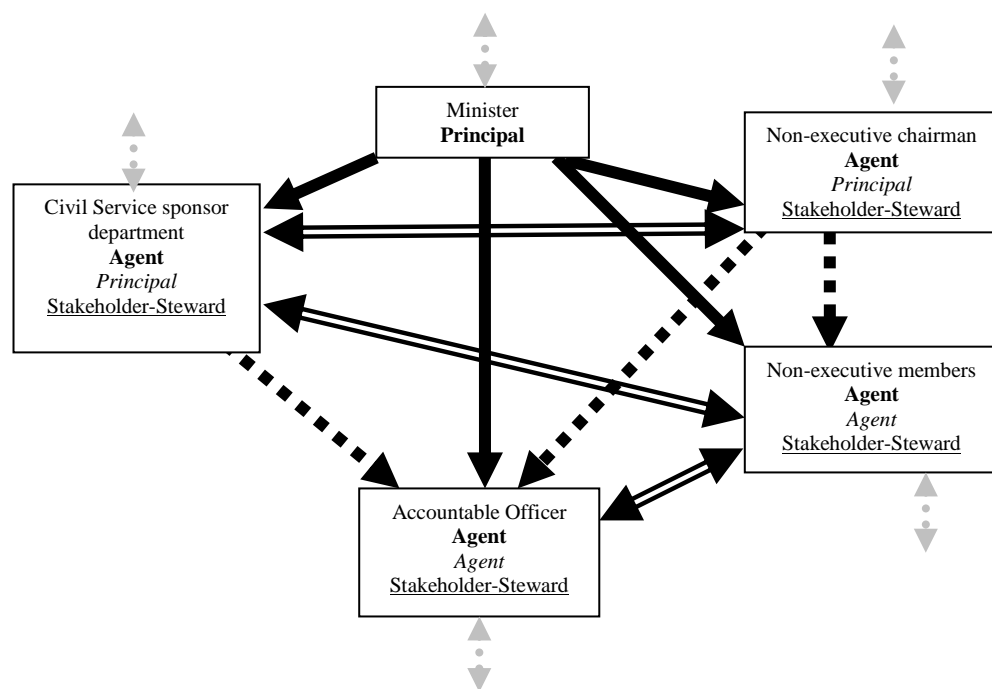


Figure 14: The interchangeable nature of a NDPB board's role: stakeholder and steward

The solid black lines illustrate the individual primary agency relationships that exist between the Minister, sponsor department, Accountable Officer and NDPB board. The square dotted lines illustrate the individual secondary agency relationships that

exist between the sponsor department, Accountable Officer and NDPB board. The hollow lines illustrate the stakeholder relationships that take place independently of the Minister, in particular the relationships between the sponsor department, Accountable Officer and NDPB board. These lines also represent the stakeholder-steward relationships that exist between stakeholders when interacting independently of the Minister.

Literature that offers an insight into the nature of such a stakeholder-steward relationship is scarce. However, the work of Hill and Jones (1992) has attempted to gain an insight into the nature of the stakeholder-agent relationship they propose exists between external stakeholders and the Chief Executive of a private sector organisation. Their work has achieved recognition from scholars, such as Mitchell *et al* (1997) and Frooman (1999), for their examination of the concept and it has been called the "most ambitious attempt to integrate the stakeholder concept with agency theory" (Donaldson and Preston, 1995 p78). The significance of their work is based on their use of agency theory and stakeholder theory as a starting point from which to develop a paradigm that would offer an insight into the stakeholder-agent relationship that offers an explanation for "1) certain aspects of a firm's strategic behaviour; 2) the structure of management-stakeholder contracts; 3) the form taken by the institutional structures that monitor and enforce contracts between managers and other stakeholders; and 4) the evolutionary process that shapes both management-stakeholder contracts and the institutional structures that police those contracts" (Hill and Jones 1992 p131). Their position is based on the agency theory view that "each stakeholder is part of the nexus of implicit and explicit contracts that constitutes the firm" (*ibid.*, p134) and management, represented in this context by the Chief Executive, is at the heart of that nexus of contracts as they carry out the day-to-day running of the organisation and, from an agency theory standpoint, they effectively act as the agent to all stakeholder groups. As their work draws from agency theory and stakeholder theory, Hill and Jones: a) chose to examine the relationship on the basis of agency theory principles, which suggests that the stakeholder-agent relationship is contractually based and influenced by a model of man that is self-serving and individualistic; and b) rely on a field of research -

stakeholder theory - which "ironically, despite its wide acceptance, it remains very fuzzy as a concept, especially because of its apparent clarity and generalizability" (Antonacopoulou and Méric, 2005 p22).

Despite the criticisms associated with the stakeholder theory foundations on which their model has been based, the stakeholder-agent ideology that they present offers an insightful approach to the study of NDPB board relationships. Furthermore, Hill and Jones's (1992) model integrates agency theory with stakeholder theory as a means of examining the nature of the stakeholder-agent relationship. Their choice of governance theory in this context stems from the dominance of agency theory in the economics literature and emergent speculation that agency theory offers the potential to gain an insight into the "nature of the implicit and explicit contractual relationships that exist between a firm's stakeholders" (p131). This is based on the principle that "stakeholders differ with respect to their size of stake in the firm" (p133), a premise that is based on the assumption that a value can be attached to the level of engagement that a stakeholder has within an organisation. They assume that the firm is a financial asset and that there is a direct correlation between the level of stakeholder engagement and the monetary reward that their level of engagement brings. This is reflected in their view that an organisation is constructed as a nexus of contracts. In this context, "managers are the only group of stakeholders who enter into a contractual relationship with all other stakeholders" and are also the "only group of stakeholders with *direct* control over the decision-making apparatus of the firm (although some stakeholders, and particularly the suppliers of capital, have indirect control)" (p134). Nevertheless, given the principles on which their work is based, the Hill and Jones stakeholder-agent model does not apply to this discussion of NDPB board relationships with other stakeholders. In particular, the stakeholder-agent model does not take into consideration: a) the public sector environment in which a NDPB board operates; and b) the terms of appointment to a NDPB board that are more akin to a social exchange than an economic exchange due to their position as a servant of the Crown.

Instead, the integration of stakeholder theory and stewardship theory applies in the context of this discussion due to the similarities between the structure and composition of a NDPB board and the parameters of the role of the steward. In particular, Muth and Donaldson's (1998) comparison of agency theory and stewardship theory, highlights that stewardship theory is distinguishable by the following features: a) it "recognises a range of non-financial motives" (p6), a concept that is also supported by literature within the field of organisational behaviour by scholars such as Argyris (1990); b) it is based on the rationale that "goal conflict may not be inherent in the separation of ownership from control" (Muth and Donaldson, 1998 p6); and c) it argues that "the reallocation of corporate control from owners to professional managers may be a positive development toward managing the complexity of the modern corporation" (Muth and Donaldson, 1998 p6). Similar properties are apparent in the structure of a NDPB board in that: a) the rewards associated with the appointment of board members appear to be derived from social exchange rather than economic exchange; b) the establishment of NDPBs is not based on the separation of ownership from control, instead NDPBs operate at 'arm's length' from Ministers; and c) NDPB boards were introduced in recent years as part of a programme of public sector reform designed to introduce greater efficiency into public bodies.

Nevertheless, any attempt to integrate the principles of stakeholder theory and stewardship theory also has to take into consideration the nature of the environment in which NDPBs operate. In particular, the relationships between a NDPB board and other stakeholders take place in an efficient market, a NDPB board has a legitimate reason to have a relationship with other stakeholders and a degree of urgency underpins the relationship between stakeholders due to their individual priorities as agents to the ministerial principal. In this context legitimacy is defined by Suchman as being, "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions" (1995 p574). This is particularly important due to the historical connotations of patronage that have shrouded the appointment board

members due to their position as servants of the Crown and the privileges that go with such an appointment, as indicated in section 3.2.4. Furthermore, urgency is defined as a "socially constructed perceptual phenomenon" (Mitchell *et al.*, 1997 p870). A sense of urgency on the part of the stakeholder does not guarantee an influence over government but once combined with one of the other attributes, it can alter the power differential in the relationship: "specifically, in combination with legitimacy, urgency promotes access to decision-making channels, and in combination with power, it encourages one-sided stakeholder action. In combination with both, urgency triggers reciprocal acknowledgement between stakeholders and managers" (Mitchell *et al.*, 1997 p870). The extent to which these factors offer any insight into the stakeholder-steward relationship requires further investigation.

4.3.5 Limitations of the stakeholder perspective

By adopting a stakeholder perspective of NDPB boards this thesis recognises that stakeholder theory is open to criticism. In particular, stakeholder theory has been described by some scholars to be a "popular heuristic for describing the management environment for years" but criticised that "it has not attained full theoretical status" (Mitchell *et al.*, 1997 p853). One of the primary limitations of stakeholder theory lies in the variety of contexts in which the term is used. Indeed, "the concepts *stakeholder*, *stakeholder model*, *stakeholder management* and *stakeholder theory* are explained and used by various authors in very different ways and supported (or critiqued) with diverse and often contradictory evidence and arguments" (Donaldson and Preston, 1995 p66, original emphasis).

Nevertheless, despite not attaining full theoretical status, research into stakeholder theory has provided valuable insights into the way in which stakeholder relationships are formulated and managed within an organisation, hence its relevance for this particular study. Indeed, by examining the role of boards from one of the conventional research perspectives, scholars have gained invaluable insights into the practical contribution offered by boards in terms of governance, strategy, advice and leadership. For the purposes of this research, however, it is argued that stakeholder

theory offers an insight into the nature of the relationship between a NDPB board and its Minister because, by drawing attention to the relational nature of organizational life, it encourages a NDPB board to be viewed as the product of a complex combination of independent and interdependent relationships that influence the board at organisational, group and individual level.

4.4 The influence of the relationship on the role of the board a decision-making context

The first part of this chapter has concentrated on gaining an insight into the nature of the relationship between a NDPB board and its Minister. The remainder of this chapter aims to discuss the implications of this relationship on the role of a NDPB board in a decision-making context. By doing so, it aims to highlight the extent to which the board's relationship with its Minister influences the role of the board and how it functions in a decision-making context.

The strategic role of boards has attracted considerable attention in the field of private sector board research as scholars attempt to ascertain the extent to which boards are in a position to make a strategic contribution. In his discussion of how to increase the strategic involvement of boards Zahra (1990), for example, refers to the findings from board research pre-1990 that suggest that boards are prevented from making a strategic contribution by domineering Chief Executives, weak boards or inappropriately skilled boards who are unable to deal with increasing organisational complexity. In recent years, however, such findings have been challenged as scholars acknowledge the improvements in board qualifications but question whether boards should play an active or a passive strategic role in their organisation (Pugliese *et al.*, 2009). Within the public sector, research in this area is less developed. It is acknowledged, however, that there is a distinction between discussions surrounding public sector board involvement in policy and involvement in strategy, the former taking place "at the interface of political science and social policy, the latter based firmly within the discipline of business and management studies" (Greer and Hoggett, 1999 p239). Nevertheless, this thesis adopts Mintzberg's (1978) view that

the concept of strategy is applicable to public and private sector discussions because the term is defined as a pattern of decisions that have been made over a period of time. Strategy is not defined by the context or content of the actual decisions, but rather by the intended interrelationship of its component parts and is characterised by being "(a) explicit (b) developed consciously and purposefully, and (c) made in advance of the specific decisions to which it applies" (Mintzberg, 1978 p935). Strategic decisions are therefore those which are "concerned with or affect[ing] the long-term direction", "concerned with the scope of an organization's activities" and "matching of the activities of an organization to the environment in which it operates" (Johnson and Scholes, 1997 p4-5). In practical terms, strategic decisions: "(a) involve a commitment of a large amount of organizational resources, (b) are technically complex and requires the diverse skills of technical experts, organizational experts and the top management, (c) are influenced by a variety of external environmental agents, e.g. suppliers of computer systems, organized labour unions and rapidly changing technology; and (d) influence many parts of the organization by restructuring the information flows, decision-making loci, and the informal distribution of power and authority" (Shrivastava and Grant, 1985 p101). Furthermore, regardless of sector, the framing of strategy takes place in "an organisational, social and political context" (Porac and Thomas, 2002 p169).

This view of strategy emphasises the distinction between strategy as sector specific content and strategy as a process. "'Content' research deals with the content of strategies and 'process' research examines the strategic decision process and the factors that affect it" (Rajagopalan *et al.*, 1993, Schwenk, 1995 471). Content research tends to link different issues to outcomes, whereas process research examines links to process characteristics (Hutzschenreuter and Kleindienst, 2006). It is acknowledged that "the content and the process are inseparable" (Pettigrew, 1992a p7), and the strategic decision-making process is only one factor in the overall strategy of an organisation (Butler, 1990) however, for the purpose of this discussion, the focus of attention is directed towards the influence of the relationship between a NDPB board and its Minister on the role of the board in the process.

4.4.1 The intended role of a NDPB board in the strategic decision-making process of its organisation

The Scottish Executive On Board induction guide for NDPB board members summarises the intended role of a NDPB board into three key functions, as illustrated in Figure 15, which includes providing "active leadership of the public body" by "agreeing the organisation's strategy".

"The main purpose of a Board of a Scottish public body is to provide effective leadership, direction, support and guidance to the organisation and to ensure that the policies and priorities of the Minister (and the Scottish Executive) are implemented. The three main functions of a Board are:

- To represent the interests of the Minister. In the majority of cases, Boards of public bodies are appointed by Ministers in order to ensure the delivery of, or to advise upon, Ministerial policies.

The representation of a body's views to Ministers by a Board is perfectly legitimate and acceptable, but such action should be viewed within this wider context. Crucially, Board members should be clear about Ministerial policies and expectations for their body. If they are in any doubt on this point at any time, they should seek clarification from the Chair.

- To provide active leadership of the public body by:
 - agreeing the organisation's strategy;
 - setting cost effective plans to implement the strategy;
 - establishing a performance management framework which enables under-performance to be addressed quickly;
 - establishing the values and standards of the organisation and ensuring that the organisation adopts and complies with Codes of Conduct for Staff and Board Members;
 - ensuring that the highest standards of governance are complied with, that the organisation complies with all Ministerial guidance, its Management Statement and Financial Memorandum and legislation, and that a framework of prudent and effective controls is in place to enable risks to be assessed and managed;
 - focusing on the difference that the organisation is making in the outside world, i.e. effects on customers and citizens; and
 - ensuring that the body is a Best Value organisation.
- To hold the Chief Executive (and senior staff) to account for the management of the organisation and the delivery of agreed plans on time and within budget."

Figure 15: Extract from the Scottish Executive On Board Induction Guide
Source: Scottish Executive (2006 p3-3,3-4)

The previous chapter discussed the restrictions placed on the domain of decision problems delegated to a NDPB board as a result of the public sector environment in

which NDPB boards operate. To gain an insight into how the relationship between a NDPB board and its Minister influences the scope of the domain of decision problems delegated to a NDPB board by the Minister, attention must be directed towards understanding how a NDPB board's strategic role fits into the wider strategic decision-making process that takes place to determine the overall direction of the NDPB.

4.4.2 Examining the strategic decision-making process

Thirty years ago, it was possible to broadly classify the strategic decision-making literature of the time into three groups regardless of whether studies took place in the public or private sector: “research by cognitive psychologists on individual decision-making in game situations, research by social psychologists on group decision-making in the laboratory, and research by management theorists and political scientists on organizational decision-making in the field” (Mintzberg *et al.*, 1976 p246/247). Since then, however, the volume of research in this field has grown considerably as an increasing number of models, frameworks and concepts are examined for their insights into a broad range of strategic situations. The current field of research is fragmented yet overlapping as a result (Eisenhardt, 1999, Eisenhardt and Zbaracki, 1992, Hutzschenreuter and Kleindienst, 2006) due to the interdependent nature of the content and processual aspects of strategic decision-making. In effect, content and process are the two "sides of a strategy formation coin" (Mintzberg, 1978 p935).

To gain an insight into the nature of the NDPB's strategic decision-making process, reference is made to the work of Witte (1972), who introduced the idea that the strategic decision-making process is made up of a series of phases. He presented his 'phase theorem' to illustrate his hypothesis that the strategic decision-making process consists of distinct and/or sequential phases. Despite limited evidence to support his hypothesis, Mintzberg *et al* (1976) developed the logic behind Witte's thinking to write what has become a seminal piece of work: *The Structure of “Unstructured” Decision Processes*. In it they proposed that the strategic decision-making process

consists of three phases: the identification phase, the development phase and the selection phase. A considerable volume of research has been undertaken in this area over the last 20 years to develop his ideas. Nutt (1999, 2001, 2007) in particular has explored Mintzberg *et al's* (1976) three phase proposition and reached the conclusion that the strategic decision-making process has five stages of activity, which span "intelligence gathering, direction setting, uncovering alternatives, selecting a course of action and implementation" (Nutt, 2007 p604). His work is particularly relevant to this research as he has focused on comparing and contrasting public and private sector decision-making practices (Nutt, 1999, 2000b, 2006) and his work is supported by empirical research findings that take into consideration the impact and influence of sector specific distinctions on the strategic decision-making process.

Furthermore, although each stage of the process is articulated separately, Nutt's research takes into consideration the dynamic nature of the process and the influence of external factors that contribute to the "the critical variations in the processes followed by different organizations" (Shrivastava and Grant, 1985 p98). As well as representing a sequential process, each stage is acknowledged as being a sub-process in its own right. For ease of future reference, these components are illustrated in Figure 16 and defined in Figure 17.

By adopting this view of the strategic decision-making process, attention is also directed to the work of Hickson *et al* (1986), who carried out an extensive piece of work to derive "a characterization of the movement of strategic decision-making processes from 150 cases, 5 each in 30 diverse organizations in Britain. The most distinctive summary features of these cases were their discontinuity and their dispersion" (Hickson, 1987 p168). As a result of their analysis of the 136 cases that had the required data, they observed that the strategic decision-making processes moved in three ways: sporadically, whereby processes were spasmodic and contained numerous interruptions; fluidly, whereby processes were even paced, efficient and formally channelled; and in a constricted manner, whereby processes were narrowly channelled both in terms of information sought and individuals involved (Schwenk, 1995). Hence, any study of the strategic decision-making process must take into

consideration the dynamic nature of the process and the influence of context and point in time.

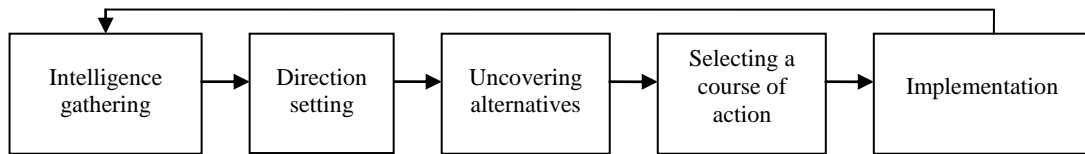


Figure 16: Illustration of the five stages in the strategic decision-making process

- ‘**Intelligence gathering**’ will be taken to mean “the steps taken to gather intelligence that clarifies the trend or event and explores the relationship between the steps followed to gather intelligence and the effectiveness and efficiency of the decision“(Nutt, 2007 p604).
- ‘**Direction setting**’ reflects the early, formative stage of the decision-making process whereby “signals calling for action are classified, weighed, and interpreted to provide direction” (Nutt, 1992 p19).
- ‘**Uncovering alternatives**’ refers to the consensus that “Alternatives are examined for two reasons: (1) to uncover the best course of action, and (2) for political reasons. [Thus] [d]ecision makers evaluate alternatives to find a preferred course of action before attempts are made to implement” (Nutt, 2000a p159).
- ‘**Selecting a course of action**’ reflects that “choices are made by using judgement, bargaining, or analysis to select among alternative courses of action” (Nutt, 2002 p67).
- The ‘**Implementation**’ stage encapsulates “how decisions are made in practice and their outcome” (Nutt, 1998 p214).

Figure 17: Definitions of each of the five stages in the strategic decision-making process

4.4.3 Limitations of the literature

In this thesis, the structure of the strategic decision-making process is used as a framework to examine the influence of the relationship between a NDPB board and its Minister over the board's role in a decision-making context. It does not assume that this process exists nor is it seeking to establish how each stage of the process takes place. Instead it aims to provide structure for the discussion. The concepts of strategy and strategic decisions can be generalised across sectors providing the context-specific influences that affect process and content are taken into consideration. Furthermore, by examining the strategic role of a NDPB board in the

context of the wider strategic decision-making process that surrounds the NDPB, it is acknowledged that some of the literature used to inform this discussion: a) has been driven by scholars in the United States and there is evidence to indicate that national setting influences the strategic decision-making process (Elbanna and Child, 2007); and b) is focused on the work of the top management team or on middle-managers in relation to the strategic decision-making process.

4.5 The influence of the relationship on the role of a NDPB board and how it functions in the strategic decision-making process

Having identified the structure of the strategic decision-making process that provides the framework for this discussion, the aim of this section is to examine the influence of a NDPB board's relationship with its Minister on how a NDPB board functions in the strategic decision-making process. To achieve this, it focuses on gaining an insight into how a NDPB board functions by examining the characteristics and dynamics of a NDPB board and the variables that exert a moderating influence over how it functions. The section concludes by questioning the extent to which how a NDPB board functions is influenced by the stakeholder perspective characteristics of its relationship with its Minister.

In their extensive review of strategy-process research, Hutzschenreuter and Kleindienst (2006) examined 227 articles on strategy-process related topics published between 1992 and 2005 and identified six different perspectives from which research had been undertaken: rational-mechanistic, middle management, organic, micro, upper echelon and cognitive. In addition, Eisenhardt and Zbaracki (1992) make reference to the 'political' perspective of the strategic decision-making process that emerged out of the political science literature. The 'rational-mechanistic' perspective dominates the literature (Eisenhardt and Zbaracki, 1992) and considers strategy to be based on a rational and logical sequence of activity that enables decision-makers to align their organisation's strengths or weaknesses with the demands of the environment. The 'middle management' perspective views middle-managers as the key point of strategic influence within the organisation given their

close proximity to the organisation's output. The 'organic' perspective believes that explanations for behaviour can be found in past successes and failures. Longitudinal studies are prevalent in this area of research, providing unique insights into the practicalities and realities of strategy in situ. The micro perspective focuses on gaining an insight into the social interaction that surrounds the strategic decision-making process. Research in this area focuses on gaining an insight into the activity and influences of individual strategists within an organisation (Hutzschenreuter and Kleindienst, 2006). The 'upper echelon' perspective is based on the premise that the top management team have unique access to organizational information and are therefore in a position to influence strategic outcome more strongly than others in the strategic decision-making process due to their position within the upper echelons of the organisation (Hambrick and Mason, 1984, Schwenk, 1988). It comprises two interconnected parts as "executives act on the basis of their personalized interpretations of the strategic situations they face, and these personalized constructs are a function of the executives' experiences, values and personalities" (Hambrick, 2007 p334). The upper echelon and cognitive perspectives overlap in their approach to the integration of the value of perception and prior experience into the strategic decision-making process (Hutzschenreuter and Kleindienst, 2006).

It is clear that there is a degree of overlap amongst the various perspectives and although it is not possible to integrate some perspectives, Hutzschenreuter and Kleindienst (2006 p710) are of the view that "cross-fertilization of perspectives should be aimed for". This approach complements the pluralistic view that underpins the stakeholder perspective adopted by this research. Indeed, through cross-fertilization of the insights gained from the cognitive and political perspectives in particular, it is proposed that a number of insights can be gained into the issues under consideration in this research.

The 'cognitive model' develops the position that there are cognitive limits to the rational model (Eisenhardt and Zbaracki, 1992) and proposes the idea that strategic decision-making takes place on a continuum between rationality and 'bounded rationality', where the flow of information has a fundamental effect on the degree of

rationality (Schwenk, 1988, Simon, 1957, 1991, van Ees *et al.*, 2009). Decisions are considered susceptible to the influence of experience and time and must therefore be considered context-specific when explaining individual and organizational related behaviour. This perspective is particularly relevant to this study given that one of the unique characteristics of boards is that their output is “entirely cognitive in nature” (Forbes and Milliken, 1999 p492). In particular, “while they assume ultimate responsibility, [boards] have no ability to perform the actual work of their organizations” (Pointer and Ewell, 1995 p317). Clarke (1998a) expands this further to explain that “boards should not and cannot run the company, assuming the board is not composed of all inside directors. They do not have the time, knowledge or skills” (p124). The principles of the cognitive perspective overlap with those of the upper echelons perspective due to their integration of the value of perception and prior experience into the strategic decision-making process in line with the concept of bounded rationality (Hambrick, 2007, Hutzschenreuter and Kleindienst, 2006, Porac and Thomas, 2002). From the political perspective of the strategic decision-making process, “people are individually rational, but not collectively so” in that “the preferences of the most powerful triumph” (Eisenhardt and Zbaracki, 1992 p22/23). This perspective suggests that individuals participating in the strategic decision-making process are aware of the internal political processes that influence strategy content and thus seek to actively manage these processes (Narayanan and Fahey, 1982). It also suggest that boards may also have a "consensus-building function" within the organisation due to their position at a nexus of diverging interests within the organisation (Ravasi and Zattoni, 2006 p1672). These factors also draw attention to the influence of independent and interdependent relationships at multiple levels within the organisation as well as the intensity of the influence exerted by political priorities. Thus, in seeking to examine the influence of the relationship between a NDPB board and its Minister on how a NDPB board functions in a decision-making context, these perspectives suggest that insights may be gained by considering the factors that affect the sense of bounded rationality experienced by NDPB board members and the extent to which the preferences of the most powerful triumph.

As the discussion in section 3.2.1 highlighted, NDPBs are established as legal entities in their own right, albeit that they function at arm's length to Ministers. The relationship between a NDPB board and the Minister therefore suggests that the strategic decision-making process that takes place at operational level is influenced by the Minister due to the ministerial influence over the domain of decision problems that are delegated to the NDPB board. Furthermore, the discussion has also highlighted the degree of ministerial involvement in establishing NDPBs and determining their remit, which suggests that Ministers have a degree of strategic involvement in the NDPB albeit that their involvement in the NDPB represents just one element of their portfolio of responsibilities. This suggests that the strategic decision-making process of the NDPB takes place at two levels: at ministerial level and at NDPB level. This view is further supported in the strategic literature, which highlights that strategic decisions are not restricted to the managerial levels within an organisation. Indeed, Shrivastava and Grant (1985) draw on the work of March and Simon (1958) and Mintzberg *et al* (1976) to observe that: “decision-making occurs in sequential phases, at multiple levels of the organizational hierarchy, and through bilateral bargaining among stakeholder groups, in an environment characterized by a high degree of uncertainty and complex goal structures” (p97). Of particular importance to the stakeholder perspective therefore is the focus that this view of a strategic decision directs towards a NDPB board's multi-level relationships within the organisational hierarchy: at Minister and civil servant at governmental level and a NDPB board with the Accountable Officer at NDPB unit level. It acknowledges that strategic decision-making processes are present at governmental and organisational levels and therefore take place independently and interdependently depending on the content of the strategic decision under consideration. It also suggests, however, that the multi-level nature of the strategic decision-making process places restrictions on the discussions that fall within the remit of those involved at organisational level.

Current research into public sector decision-making provides further insights into how these two processes overlap. Ring and Perry's (1985) discussion of the constraints placed on strategic managers in the public sector identifies five sector

specific influences that have a direct bearing on the political environment in which the strategic decision-making process takes place: policy ambiguity, openness of government, attentive publics, time and shaky coalitions. In their discussion of the policy ambiguity that shapes the strategic decision-making process, Ring and Perry observe the tension that exists between the functional priorities for the public body at governmental level and the operational priorities for the body itself. In addition, Ring and Perry also stoke the debate in this area by suggesting that anything other than policy ambiguity would be detrimental to the delivery of public services because: "first, clearly articulated strategy may serve as a rallying device for mobilizing political opposition. Second, [...] clear and precise policy statements may lead public executives to believe there is less need for judgments of nuance, less need to exercise caution and discretion" (p279).

Reference to the openness of government in this context refers to the constant presence of media and public scrutiny that determines the extent to which public appointees are held accountable for their actions and the decisions in which they have been involved. In particular, it places a constraint on a NDPB board by setting out in the Management Statement that a NDPB board cannot enter into any activity that would be considered by the Minister to be "novel, contentious or repercussive" (Scottish Government, 2010a, section 3, Financial Memorandum). The impact of this influence is multi-dimensional. In addition to influence of being held publicly accountable for their actions, public servants also have to be attentive to the needs of all taxpayer demographics. Unlike their private sector counterparts, public sector bodies are not in a position to cherry-pick their preferred customer base. From a time perspective, strategic decisions within the public sector environment are constrained by the tenure of public officials and the nature of political party priorities in particular. Furthermore, the final sector characteristic noted by Ring and Perry (1985), shaky coalitions, lies at the heart of the politically charged environment in which the NDPB strategic decision-making process takes place. In their discussion, they point out that public servants "frequently must create internal coalitions to get policy passed, but these coalitions may and often do break up during implementation" (p281).

In addition, through their comparison of corporate governance guidelines in listed and unlisted boards, scholars such as Long *et al* (2005), have identified a number of moderating variables that exert an influence over the strategic role of a board. In particular, in the case of unlisted boards, their study noted that contribution is “prejudiced by information asymmetry; executives are motivated by short-term results, and non-executives are unfamiliar with company operations and can only communicate through formal channels” (p670). Their work highlights the extent to which information flow and communication channels during the course of the strategic decision-making process influence the actual contribution of the board. Their findings highlight the importance of examining how information flow and communication channels influence the nature of a NDPB board's organisational relationships. Furthermore, in his study of public-private sector differences and the assessment of alternatives for decision-making, Nutt (1999) observes that “public organizations develop numerous complex relationships with key entities to deal with their environmental factors” (p313). Nevertheless, whereas private sector organisations have the freedom to develop relationships bound only by the confines of the law, such relationships within the NDPB arena are mediated by their public responsibilities and further complicated by the fluidity of their relationship with Ministers and government administration, particularly during election periods. These factors suggest that the strategic role of a NDPB board in the wider strategic decision-making process of the NDPB is to implement the strategic decisions taken at ministerial level. This suggests that, at organisational level a NDPB board has little involvement in the intelligence gathering or direction setting stages of the strategic decision-making process because these factors have been determined by the Minister.

The first part of this chapter proposed that the relationship between a NDPB board and its Minister has two dominant stakeholder characteristics. Figure 18 builds on Figure 9 to propose that the stakeholder characteristics of the relationship exert: a) a moderating influence over how a NDPB board functions through the pattern of interactions and behaviour between the two parties; and b) a deterministic influence

over the nature of the NDPB board's realised role due to the impact that external influences, such as political priorities, have on the Minister that have a direct impact on their relationship with the board. The dual-lined arrow is intended to represent the bidirectional nature of the relationship between the NDPB board and its Minister. In the context of the model, the influence of this relationship over the role of the board in the overall strategic decision-making process is by the transition from the intended strategic role to the realised role of the board in the strategic decision-making process.

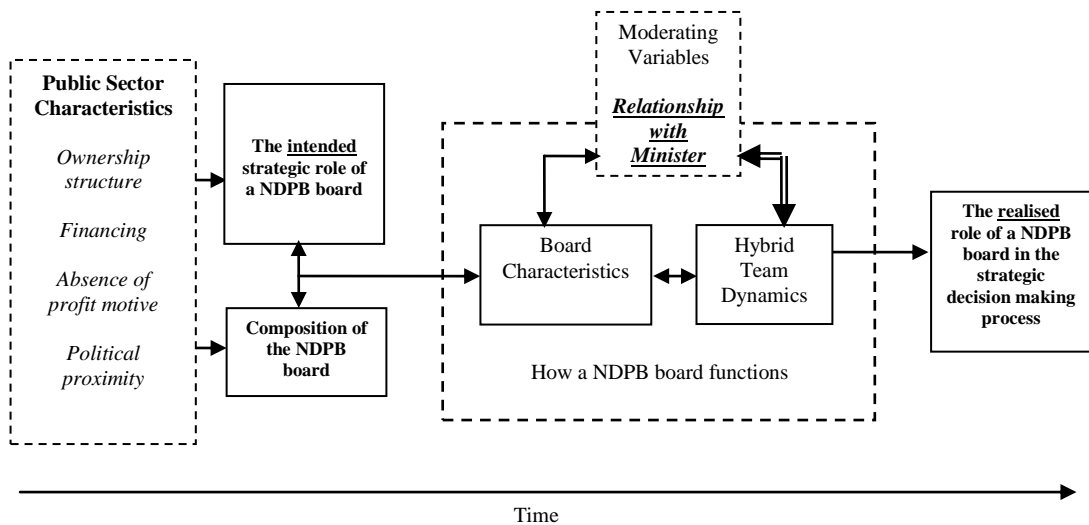


Figure 18: The influence of a NDPB board's relationship with its Minister on the role of a board and how it functions

4.6 Research questions

The discussion thus far suggests that the relationship between a NDPB board and its Minister has a moderating influence over the role of the board and how it functions. The data collected by addressing the following research questions offers an insight into how board members carry out these activities.

Research Question 1

Is the role of a NDPB board in the ministerial and organisational strategic decision-making processes influenced by its relationship with its Minister?

Research Question 2

Do board members feel that they can influence the nature of their relationship with their Minister?

Research Question 3

Does the nature of the relationship between a NDPB board and its Minister evolve over time?

Research Question 4

Does the relationship between a NDPB board and its Minister influence the board's other stakeholder relationships?

Research Question 5

What influence does the hybrid team structure of a NDPB board have on the way in which board members communicate with each other?

4.7 Chapter summary

This chapter aimed to examine the influence of the relationship between a NDPB board and its Minister on the role of the board and how it functions. It has adopted a stakeholder perspective to take into consideration the influence of the public sector environment on the role and composition of the NDPB board. It has also examined the intended role of NDPB boards in the strategic decision-making processes of their NDPB. By combining the insights gained from this discussion, the chapter has concluded by presenting a model to illustrate the moderating effect that the relationship between these two parties has on the role of the board through its influence over the characteristics and dynamics of the board. To examine this relationship in more detail, five research questions have been identified as the basis for empirical research. Chapter 5 outlines the methodology used to address these questions.

5. Methodology and Data Analysis Approach

5.1 Introduction

Preceding chapters have commented on the scarcity of empirical research into public sector board activity. In addition, a considerable proportion of articles on board activity have been written in the absence of access to boards of directors for the purposes of collecting data through qualitative methods. During the last 20 years, access has improved significantly in the wake of the publication of the Cadbury Report and the Nolan Committee findings mentioned in Chapter 2. Qualitative researchers have since been able to gain insights into the dynamic and fluid nature of board activity. The aim of this chapter is to describe the present study designed to explore the research questions presented in Chapter 4. The chapter begins by reviewing methodological issues associated with board research before outlining the data collection approach, issues of data quality and the analytical approach. The following chapter presents the findings from this research.

5.2 Methodological issues associated with board research

Boards have long since been considered to be "closed groups, bound by confidentiality, privilege and custom" (Leblanc and Schwartz, 2007 p845). Public sector boards are no exception. Indeed, public sector boards have also been criticised for appointments based on patronage rather than merit. Leighton and Thain (1997 p xv) eloquently referred to board activity as being akin to that of an aeroplane's 'black box', "whose internal workings can only be surmised from public information about decisions announced and actions taken". Such difficulties have gradually been overcome and "the developing tradition of research on top level strategic change

processes in the UK by, for example, Pettigrew (1985), Johnson (1987), Smith, Child and Rowlinson (1991) and Pettigrew and Whipp (1991) [...] provide further optimistic signals that substantial access to managerial elites is possible” (Pettigrew, 1992b p164).

In seeking to gain access for empirical research, scholars are faced with overcoming two dominant concerns on behalf of the board: firstly, concerns over issues of confidentiality, particularly with regard to sensitive strategic or personnel related issues; and secondly, the impact of an observer on the course of the proceedings (Leblanc and Schwartz, 2007). Scholars have adopted different approaches to overcome such issues - Pettigrew and McNulty are particularly noted for their claim that "access to elites is best effected by fellow elite members" (1995 p851) - and success in this regard is evidenced by the growing number of empirical studies that have taken place. These studies have varied in size and scale. For example, in their study of the corporate governance challenges facing boards, Demb and Neubauer (1992) carried out 71 in-depth interviews with directors from nine different countries, each of which lasted between two and six hours, and Judge and Zeithaml's (1992) examination of board involvement in strategic decisions involved 114 interviews with board members from four US industry sectors. In contrast, O'Neal and Thomas's (1995) study of the strategic role of the board involved open-ended interviews with 18 directors from six different firms.

A number of scholars have gained access to directors for the purposes of individual interviews by tapping into professional networks of contacts. For example, in addition to the work of McNulty, Roberts and Stiles mentioned in Chapter 1, Kakabadse and Kakabadse (2007) drew from the network of Lord Tom Sawyer in the House of Lords to gain access to British chairmen and chief executive officers of their research. Nevertheless, very few have succeeded in gaining access to observe boards in action. One exception is the ethnographic work of Samra-Fredericks (2000a, b), who gained access to observe and record groups of non-executives and executives interacting in a UK manufacturing firm. Of those scholars who have gained access, further barriers have been encountered in situ: directors are not always

willing to complete written questionnaires (Hoffmann-Lange, 1987) and board members are often used to being in control of meetings in their corporate environment, keen to discuss their own agenda, or wary of being scrutinised by an external party. These factors can make it difficult for researchers to extract the level of data they are looking for (Winkler, 1987).

Although access issues can ultimately determine the methodological approach used by scholars in this area, the quantitative approaches used in board research are historically associated with the positivist paradigm where it is assumed that "there is an objective truth existing in the world which can be revealed through the scientific method where the focus is on measuring relationships between variables systematically and statistically" (Cassell and Symon, 1994 p1). Methodologically, such research is typified by a deductive process that leads to formulation and testing of hypotheses amongst a sample large enough to facilitate a degree of generalisation. For example, Goodstein *et al's* (1994 p243) examination of the effects of board size and diversity on strategic change falls within this paradigm. Having reviewed the relevant literature, Goodstein *et al* identified two hypotheses: "H1: Organizations with larger boards of directors will be less likely to initiate strategic changes during periods of environmental turbulence" and "H2: Organisations with more diverse boards of directors are less likely to initiate strategic changes during periods of environmental turbulence". They explored the issues in the context of the health sector during the period 1980-1985 by testing a panel of 334 hospitals in the State of California. Their data was obtained from publicly available sources of documentation and their findings led to the generalisation that "organizations with diverse boards are less likely to initiate strategic changes than those with homogeneous boards" (1994 p246).

Nevertheless, research activity that falls within the positivist paradigm has attracted considerable criticism due to its lack of attention to the broader context in which events under examination are taking place. Furthermore, it is often contended that quantitative research methods are more effectively used in the context of theory testing rather than theory development as its focus lies in measuring and validating

rather than exploring and interpreting phenomena (Cassell and Symon, 1994). For example, the majority of these studies have relied on archival data to search for a statistical relationship between the proportion of outside directors and firm performance. This is particularly apparent in the work of Markarian and Parbonetti (2007 p1224), who examine "the relationship between firm complexity and board of director composition" by categorising the 4,408 directors from a "random sample of 150 firms drawn from six industries over the 2003-2005 time period" according to their perceived relationship with the organisation. Adopting Baysinger and Zardkoohi's (1986) board of director typology, Markarian and Parbonetti "distinguish between four categories of directors: insiders, business experts, support specialists and community influentials" (p1224). These findings confirm their hypothesis that the specific expertise of board members generally mirrors the areas of complexity within the organisation and forms the basis of their proposal that their findings contribute to the emergent field of literature that seeks to understand the economic drivers behind board structure. By adopting this approach, however, they remain detached from the broader debate as their reliance on archival data has led to an inferential leap between board composition and firm complexity, which has not taken into consideration a plethora of alternative variables.

Clifford and Evans (1997) adopt a similar approach in that they too seek to examine the independence of board directors by categorising board members as insiders, 'grey' directors, or outsiders. Their research relies on archival data but they do not seek to make broad generalisations as to the impact of the resultant degree of independence displayed by boards. Instead, they caution that boards can appear to apply with governance recommendations but in fact may remain controlled by internal management. Furthermore, as Clifford and Evans did not have access to their participants during the course of their research, they were not in a position to determine the extent of the potential control by internal management.

Further evidence of scholars' reliance on archival data can be seen in relation to research seeking to examine the effectiveness of sub-committees. The Cadbury Report recommended that "The board should establish an audit committee of at least

3 non-executive directors with written terms of reference which deal clearly with its authority and duties" (Cadbury, 1994 para 4.3). Underpinning this recommendation is the call for an independent means of monitoring the financial aspects of an organisation's performance in order to establish clearer lines of accountability and financial transparency. However, despite evidence to suggest that 83% of a sample of 500 listed firms had created an audit-committee during the three years that followed the publication of the Cadbury Report (Dedman, 2002 p341), empirical research into the impact of audit committees on governance standards is scarce (Spira and Bender, 2004). One example of such empirical research, however, is the work of Parker. As a member of a non-profit board, Parker gained access to the board for the purposes of a longitudinal complete member researcher participant observer study. His findings have provided a rare insight into the way in which boards handle issues of internal governance and financial and operational control (Parker, 2007, 2008)

Qualitative techniques, on the other hand, are considered to emerge "from the phenomenological and interpretative paradigms; typically the emphasis is on constructivist approaches where there is no clear cut objectivity or reality" (Cassell and Symon, 1994 p1). Such an approach stems from the ontological assumption that reality is a construct of the mind, reliant on the subjective interpretation of the individual (Burrell and Morgan, 1979) where perceptions are fluid, constantly changing and must be considered accordingly (Elliott, 1996). Thus the influence of the interpretivist paradigm is clear within the current field of board research where "qualitative researchers are characteristically concerned in their research with attempting to accurately describe, decode and interpret the precise meanings to persons of phenomena occurring in their normal social contexts, and are typically pre-occupied with complexity, authenticity, contextualization, shared subjectivity of researcher and researched and minimization of illusion" (Fryer, 1991 p3).

Over the last few years, however, it appears that there is an emergent trend within the board literature for scholars to adopt a middle ground between the two camps, in effect adopting the pragmatic position that "whatever 'tools' are available and seem

appropriate should be adopted" (Cassell and Symon, 1994, p3, referring to, Crompton and Jones, 1988). Multimethodological approaches such as this are widely accepted within the sociological community, where there is consensus that: "1) the distinction between quantitative and qualitative method is no longer relevant; 2) that there is no such thing as a 'universal method' - both approaches have their domains and relevance; and 3) that there is a great value in multimethodological approaches" (Danermark *et al.*, 1997 p152). Typically the use of such an approach is influenced by the pragmatic perspective, where "the practical and the empirical take precedence over the ontological and the epistemological" (Danermark *et al.*, 1997 p152). Indeed, the critical realist perspective, which distinguishes itself from the pragmatic perspective by its emphasis on the importance of the ontological-methodological link in determining the choice of research method, takes into consideration the nature and characteristics of the issue under examination (Danermark *et al.*, 1997 p152). The work of Stiles (2001) is one example of such a multi-method approach that is influenced by the critical realist perspective. In his study of the impact of the board on strategy, Stiles develops a model of the board based on grounded theory resulting from in-depth interviews with 51 directors as well as surveying 121 company secretaries and carrying out four case studies. His work illustrates the multi-functional nature of board activity. It also shows the range of internal dynamics that result from the different cliques within the board. For example, his work illustrates the divide that can occur between the executive and non-executive members of the board or between the chief executive and chair and the rest of the board.

5.3 The data collection approach

To discuss the data collection approach used during the course of this research, this section sets out the choice of data collection method used, the data collection parameters, the steps taken to overcome obstacles to access, the selection of interview participants, the profile of interview participants, and an outline of the interview structure used. This research is influenced by the ontology of the critical realist perspective where it is posited that "there exists both an external world

independently of human consciousness and at the same time a dimension which includes our socially determined knowledge about reality" (Danermark *et al.*, 1997 p5-6). There are a number of characteristics that highlight the influence of the critical realist philosophy in this research. The first characteristic is that by examining the influence of the relationship between a NDPB board and its Minister on the role of the board and how it functions, it is accepting the position that social strata exist and that the social phenomena of status that is associated with the appointment of the non-executive board is produced by social powers within the environment. A second point is that the preceding chapters have sought to re-contextualise by means of abstraction the basis on which a NDPB board's relationship with the Minister is based, which in turn is viewed as being subject to the influence of external stakeholders. The discussion proposes that the relationship between a NDPB board and its Minister is more akin to that of stakeholder-steward than the traditional principal-agent in this context. Thirdly, the generative mechanisms that underpin the interpersonal relationship between a NDPB board and its organisational points of contact are assumed to be dynamic; and finally, despite the legal foundation on which a NDPB board is established, this research is interested in the nature of a NDPB board's relationship with its Minister and its influence on the role of the board and how it functions. The latter in particular is driven by interpersonal relationships that are defined and developed within political proximity. Hence, in seeking to gain an insight into the extent to which the role of a NDPB board and how it functions are influenced by their relationship with the Minister, this research acknowledges that a NDPB board is a socially defined concept as well as a legally defined entity and thus the experiences of NDPB board members are effectively socially produced reality.

5.3.1 Choice of data collection method

To address the questions raised by this research, the data collection strategy is designed with a view to the following research foci of analysis: a) the influence of the external environment over how a NDPB board functions; and b) the nature of the relationship between a NDPB board and its Minister that underpins the role of a

NDPB board and how it functions. Thus, in planning the research design for the first stage of fieldwork, four data collection methods were considered: interviews, questionnaires, focus groups and participant observation. Focus groups offer an insight into the subjective experiences of its participants as well as an opportunity to tease out process related insights and 'what if ...?' and 'why not ...?' scenarios (Barbour, 2007). However, for the purposes of this research, such matters are not of primary concern, suggesting that other methods are more appropriate.

Participant observation offers the opportunity to gain an insight into the processes in which the relationship between the board and the organisation are produced (Flick, 2007b) by generating "meanings and perspectives not attainable by most other research methods" (Snow and Thomas, 1994 p459). Such an approach would be advantageous for this research. In particular, participant observation would afford access to the "backstage culture" (deMunck and Sobo, 1998 p43) in which NDPB boards operate. It also provides the opportunity to create "richly detailed description" and for "viewing or participating in unscheduled events" (Kawulich, 2005 section 5). Insights of these kinds are of interest to this study. However, it was felt that the hybrid team structure of the board would render insights into a NDPB board's relationships with the organisation impractical to capture due to the limited amount of time that a NDPB board spend together, that a NDPB board spends with the organisation, and that the author would be able to spend in the environment. Issues of confidentiality and political sensitivity that affect a NDPB board may also be withheld, thus rendering the data collected incomplete. There was a risk, moreover, that the data collected would reflect the author's interests and therefore not be representative of the events (Kawulich, 2005). Furthermore, participant observation and focus groups were also considered likely to encounter the same practical issues of access and confidentiality.

In comparison with focus groups, questionnaires and participant observations, personal interviews offered the most effective mode of data collection for this research because they involve "asking questions of those who have information about a phenomenon that the researcher has not been able to observe directly" (Snow

and Thomas, 1994 p460). Interviews can take a number of forms: a) open-ended interviews, where the interviewee takes on the role of a participant in the research activity and the discussion is structured to a greater or lesser extent by specific research themes (Miller, 1991); b) structured interviews, where the primary objective is to obtain quantifiable information through the use of a series of structured, predominantly closed, questions (Miller, 1991); and c) telephone interviews, which can be either open-ended or structured. For the purpose of this research, personal interviews that were based around a structured set of themes and topics were considered to be the most appropriate means of data collection. In addition to providing a means of gaining access to board members' individual perceptions of reality, interviews also have a number of practical methodological advantages. Miller (1991) presents a summary of such advantages. The most relevant for the purposes of this research are paraphrased below:

- a) they yield a higher level of willingness to participate than an impersonal questionnaire;
- b) the research group can be "made to yield an almost perfect sample of the general population because practically everyone can be reached by and respond to this approach" (Miller, 1991 p160);
- c) interviews allow interviewers to clarify any points of misunderstanding immediately suggesting that a higher degree of accuracy can be obtained;
- d) the element of personal interaction facilitates the gathering of supplementary personal information that can be valuable when interpreting results;
- e) depending on the analysis technique used, interviews can yield results based on scoring and test devices and the use of a semi-structured format also allows for a degree of comparison between interviewee responses;
- f) spontaneous reactions are captured and can be explored;

-
- g) although Miller (1991) reports on public opinion interview findings that suggest that interviewees lose interest after about 45 minutes, the time involved in an interview can facilitate the recall of relevant information;
 - h) sensitive subjects can be broached and discussed freely and any concerns over the inclusion of sensitive material can be expressed clearly; and
 - i) while the data collected from semi-structured interviews is voluminous, it can be managed through the use of appropriate software and the richness of the data collected is of particular benefit to this research.

The flexibility that interviews offer when dealing with confidential or sensitive issues is of paramount importance to this research due to the positions of seniority that NDPB boards occupy. Furthermore, the literature review has drawn attention to the influence of a NDPB board's political proximity. Observations from extant research in this regard to date have been highly organisational and mechanistic due in part to their use of government documentation. The use of interviews therefore offers the opportunity to gain an insight into the extent to which board members are influenced by the politics that surround a NDPB board. The advantages of the interview method were thus considered to outweigh its disadvantages in terms of time and resource intensity and the risks associated with interviewer bias or inexperience (King, 1994). Nevertheless, in addition to interviews, data was also gathered through publicly available information to support the findings in relation to board demographics and the formal terms of the relationship between a NDPB board and its Minister.

The choice of the interview method as the primary source of data collection reflects the ontological-methodological link that lies at the heart of the critical realist perspective as discussed by (Danermark *et al.*, 1997). Furthermore, when viewed through the lens of a critical realist, gaining an insight into the nature of NDPB boards' relationships is subject to consideration on three sedimentary levels (Figure 19). It reflects the philosophical premise that the activities of the boards occur in everyday events and thus are the product of causal mechanisms that contribute to its creation (Ackroyd and Fleetwood, 2000).

<i>Domain</i>	<i>Entity</i>
Empirical	experiences, perceptions
Actual	Events & actions
Real/'Deep'	structures, mechanisms, powers

Figure 19: The critical realist's perspective of the 3 levels of a NDPB board's relationships
Source: Ackroyd & Fleetwood (2000) and Tsoukas (2000), reflecting the work of Bhaskar (1975)

In accordance with this framework, the use of interviews as the primary data collection method is appropriate for a number of reasons. Firstly, interviews allow for the difference between the real, actual and empirical domains that make up reality from the critical realist perspective to be explored and discussed with each individual interview participant. Secondly, their use reflects this study's view that a NDPB board is an open system that is subject to the influence of its external environment, hence it would be inappropriate to use an alternative method, such as experimentation, that seeks to isolate issues for investigation by manipulating events. Thirdly, interviews allow the areas of research interest to be examined in context, supporting the critical realist perspective that in order to understand a phenomenon, social reality cannot be reduced to either individual or societal levels instead it must be considered holistically. Finally, the interview environment facilitates the assumption that individuals act of their own accord and their behaviour is integral to gaining an insight into the generative mechanisms that underpin their relationships.

5.3.2 Data collection parameters

Although the critical realist perspective advocates that the ontological-methodological link takes precedence over the choice of research methods, in practice the data collection methods have been influenced by four practical considerations: resources, geographic convenience for the purpose of access, the focus of the research on board member experience and not specific formal qualifications, and the potentially confidential nature of the data gathered.

Firstly, as a self-funded, part-time PhD candidate, resources such as time and money are finite. The research began while the author was living and working in Scotland but the majority of the fieldwork had to take place after the author had moved permanently to Dublin. As the professional network of contacts developed during five years of involvement in the recruitment and selection of public sector board members was based in Scotland, it offered an opportunity to gain access to NDPB board members.

Secondly, in choosing to focus on the boards of NDPBs this research concentrates its study on NDPB boards within Scotland for six key reasons. Firstly, this choice of geographic area ties in with this study's use of the Scottish government's definition of a NDPB, as indicated in section 1.4. Secondly, the NDPBs represented in this research are subject to the same ownership structure, financing and political proximity characteristics as NDPBs elsewhere in the United Kingdom. They are classified and defined according to the same definition used by the Cabinet Office: "a body which has a role in the processes of national Government, but is not a Government Department or part of one, and which accordingly operates to a greater or lesser extent at arm's length from Ministers" (Cabinet Office, 2009 p5). By doing so, it provides a definition that distinguishes NDPBs from quangos for those scholars who consider the two to be separate. Thirdly, the definition of a NDPB is tied to a list of NDPBs, identified on the Scottish Government website www.scotland.gov.uk (accessed November 2007) which provides a replicable means of identifying the organisations targeted by this research. At that point in time 199 NDPBs were listed, 33 of which fall into the category of Executive NDPB and 4 into the category of Public Corporation. Fourthly, for the purposes of establishing the generalisability of this study's findings, it was felt that the range of NDPBs in Scotland is a reflection of the range of NDPBs within the United Kingdom. Fifthly, it was felt that NDPB boards in Scotland would generate sufficient empirical data to offer an insight into the issues raised in the literature review and to provide a framework for future research. Sixthly, although the participants in the research group can be described as a homogenous group due to their common experiences as NDPB board members,

Executive NDPBs can also be described as a heterogeneous group of organisations, whose boards comprise individuals from heterogeneous backgrounds, as discussed in section 3.2.1. For the purposes of this research, however, the aim is to compare the experiences of individuals in their role as NDPB board members rather than seeking to compare their level of experience as NDPB board members. By adopting this approach, the similarities as well as the differences between experiences are equally important as they are a direct reflection of the extent to which different factors influence a NDPB board. Finally, in setting out the parameters of this research, it was anticipated that some of the data collected during the course of the interviews would relate to confidential or sensitive matters. The findings from this research are derived from the data that interview participants have given permission to use for publication.

5.3.3 Overcoming obstacles to access

Leblanc and Schwartz (2007) credit British scholars Pettigrew and McNulty for their part in breaking down some of the barriers to access. In examining the issues of power and influence amongst part-time board members, Pettigrew and McNulty (1995) gained access to 20 distinguished board directors in leading UK corporations. Up until that point, very few interviews had been granted that allowed scholars to spend as much time on a one-to-one basis with boards of directors. Pettigrew and McNulty, on the other hand, credit their success to having worked out that "access to elites is best effected by fellow elite members" (p851) and therefore they tapped into the network of two members of the Centre for Corporate Strategy and Change Advisory Board.

It is with this in mind that the network of contacts developed during five years as a professional recruiter in a firm which had a preferred supplier agreement with the Scottish government was used as a starting point for gaining access for the first stage of fieldwork. The network of contacts are the result of either: a) a client-supplier relationship, where the author's role was to identify potential candidates for a range of senior level or board positions; b) a candidate-recruiter relationship, where the

author's role was to put forward the individual for a particular senior management or board position; c) a business-networking relationship, where, through a variety of meetings, seminars and networking events, a two-way networking relationship was established, enabling the author to identify potential business opportunities and the individual to hear of senior appointments that may be of interest; or d) a relationship-by-proxy, where the relationship was transferred from the Managing Partner of the recruitment firm to the author for the purposes of this research.

Despite having a network of contacts in place it was not assumed that all of those contacted would agree to participate. In an attempt to overcome the obstacles associated with gaining access to boards of directors, note was also taken of the methodological challenges faced by scholars having gained access, the most prevalent of which is the issue of timing. For example, Ferlie *et al* (1995) fell subject to issues of timing as they examined corporate governance issues in the NHS during the early 1990s. Publishing their work in 1995, having conducted their fieldwork during the period between 1990 and 1993, their research findings needed to take into consideration and encapsulate the degree of change and evolution taking place within the UK NHS during that period of time as NHS bodies began the transition into a Trust structure. It is equally important to take the timing of this research into consideration. The Scottish National Party assumed minority rule in the Scottish Parliament in May 2007 and shortly afterwards announced a review of NDPBs in Scotland, with the aim of reducing their number by 25%. At the time the fieldwork took place, NDPB boards were operating within a politically charged environment as decisions were being made as to the future of particular NDPBs. The influence of context and timing may have contributed towards a heightened level of interaction between the board and the Minister.

5.3.4 Selection of participants

By using interviews from a convenience sample as the primary method of data collection, this research is open to the criticism that the findings may be difficult to replicate. Nevertheless, this study has been clear from the outset that its intentions

are to explore the nature of the relationship between a NDPB board and its Minister with a view to informing a future research agenda. It seeks to use interviews to gather data that provides an insight into how NDPB board members perceive their environment and their relationships with the organisation. Thus, by ensuring that each individual participant within the research group selected has credible and relevant experience of working within a NDPB board environment, it is attempting to mitigate any concerns in this regard.

The research participants were chosen on the basis of a convenience sample, which involved selection for range, rather than randomness. In making this decision, reference is made to previous work in this area. In their examination of the strategic role of the board, Stiles and Taylor (1996) carried out a multi-method data collection exercise, using a convenience sampling method. They generated a sample from directors who were attending seminars as part of the Diploma in Direction at the Institute of Directors (IOD), achieving an 83% response rate. The reasons behind this approach are not discussed in their paper but it is assumed that the IOD attendees were considered to be a captive audience and one which had a proactive interest in board related issues. Although the advantages of this approach are clearly seen in the response rate, Stiles and Taylor acknowledge the disadvantages of convenience sampling as being: a) the inevitable influence that the source of research participants had on the companies represented; and b) the self-reporting bias which accompanies interview-based research. The same issues are raised by Hill (1995) in his examination of the social organisation of boards, during which he too used convenience sampling to ensure that his research participants reflected the full range of board positions. However, as quantitative research in this field has demonstrated, the response rates to random sampling are particularly low. Henke (1986), for example, achieved an 18% response rate from a mail out to 1,300 companies in his study of various aspects of the board's strategic involvement. Pearce and Zahra (1991) achieved a 20% response rate from a mail out to 400 companies when they examined the relative power between the chair and chief executive.

To generate a research group, the list of NDPBs in Scotland listed in Appendix 2 was used to identify the non-executive and executive members of the NDPBs. Due to the heterogeneous nature of NDPBs within the category of Executive NDPBs and the variation in financial size and funding, the number of staff was used as the indicator when sampling NDPBs for range. For the purposes of selecting participants and for maintaining confidentiality when presenting the findings, NDPBs were categorised by staff size to be either: a) small (up to and including 160 employees); b) medium (from 161 to 650 employees inclusive); or c) large (over and including 651 employees).

Potential interview participants were identified by cross-referencing this list with the aforementioned network of professional contacts. The resultant list was then whittled down to 30 individuals by ensuring that the widest range of NDPBs was represented through the identification of individuals with whom a solid professional relationship existed and contact details were available. In addition to selecting individuals from a wide range of NDPBs, four board members on one medium sized board and five board members on one large sized board were also identified in order to provide some means of comparing and contrasting the experiences of individuals sitting on the same board. In an attempt to mitigate the effects of any bias within the group, a further five individuals were identified from the list of Executive NDPB board members whose contact details were publicly available. Of the five contacted, four worked within the university system and as well as having their contact details publicly available, it was also hoped that they would be sympathetic to the needs of research.

Five reasons contributed to the decision to use a convenience sample despite the inherent bias that is associated with such an approach. Firstly, it was felt that due to the finite time and resources available to this research, the selection of individuals with whom there was an existing relationship would increase the agreement rate and the speed of setting up the interviews. Secondly, due to the nature of the professional relationships, which had been made in an environment where board appointments and governance issues dominated discussions, these individuals would be interested

in participating in this research. Thirdly, securing interviews with established contacts would provide the most candid insights into NDPB board relationships due to the presence of a common interest. Fourthly, given the exploratory nature of this research the findings from this research are not intended to be definitive, hence it aims to provide an insight into board relationships that can inform future research. Finally, due to the principles of meritocracy on which the OCPA regulated recruitment and selection process is based, it was assumed that all board members on OCPA regulated boards are credible interview participants as their skills and experience have been independently assessed to ensure their fit to a board appointment.

From a stakeholder perspective, this research is interested in the relational nature of the organisational life in which NDPB boards operate. The focus of this data collection is directed towards the board members' experiences of their relationships with their Ministers. The question as to whether or not to interview members of civil service sponsor departments and Ministers received considerable thought. In the end, no attempt was made to interview Ministers or members of sponsor departments for the following reasons. Firstly, the research questions are concerned with understanding how NDPB board members view and manage their relationships with their ministers and not vice versa. Furthermore, the principles of the stakeholder perspective seek to offer an explanation as to the nature of the relationship between a NDPB board and the organisation. Due to the exploratory nature of the research and proposition that a NDPB board is a stakeholder in the relationship, the NDPB board members' view of its position in relation to the organisation is of primary interest.

5.3.5 Research participants

Professional experience of working with boards in the private and public sector suggested that the most efficient and effective means of communication with potential interview participants would be by email because it offers such individuals to manage their busy schedules in their own time. To this end, each email was

personally 'topped and tailed' and the text in Figure 20 was consistently used as the main body of the email.

"I wondered, in your capacity as a Scottish NDPB board member, if you might agree to be interviewed regarding your experience? **(point 1)**

Extant research into board activity concentrates on the plc arena and is dominated by discussions that focus either on the role of the Chair or on the role of the board as a single entity. Consequently, despite the important role played by NDPBs within the UK government structure, little is actually known about the role of a NDPB board Member. It is within this area that my research interest lies. **(point 2)**

I would be most grateful if you could spare hour of your time at some point in January 2009 (either to meet in person or by telephone) so that I might talk to you about your experiences. **(point 3)**

In making this request, I can assure you that this research is being undertaken on an independent basis and for academic purposes only. I am interested in learning of your personal experiences and will be conducting the research on the premise that all information gathered will be non-attributable." **(point 4)**

Figure 20: Extract from introductory email sent to potential interview participants

The email was structured in this format for a number of reasons, each of which was felt to be important given previous experience of asking senior business figures to participate in a range of assignments and events. Firstly, experience had shown that in order to attract attention, the primary reason for the email needed to be set out clearly and concisely at the beginning, hence (point 1). The propensity for senior individuals to ignore weighty text had been experienced in other professional situations. Secondly, given the degree of knowledge and expertise held by these individuals, successful engagement in activities typically depended on being able to succinctly state the case and provide supporting evidence, hence (point 2). Thirdly, being aware of the busy work schedules of these individuals, a realistic expectation was established at the outset with regard to the length of time that such individuals would be prepared to give up. Furthermore, as the author is currently based in Dublin, a fixed period needed to be identified (the month of January 2009) during which time could be spent in Scotland. Although it would have been ideal to have had an open-ended time slot, such executives are used to running their diaries in slots of one-hour meetings, hence (point 3). Nevertheless, the nature of the relationships with a large number of these individuals also hinted that many would be happy to run

over time if they had it available. Requesting an hour of their time was considered to be a formality. Finally, although this group of individuals have always been happy to discuss a broad range of matters, the relationships over the years have all been based on Chatham House rules. Thus, in making this request, it was important to articulate that the same principles of confidentiality would apply (point 4).

By adopting this approach, it is acknowledged that a degree of researcher bias is apparent in the assumptions about the way in which these individuals prefer to communicate have been inferred. For the purposes of this research, however, adopting this approach follows in the footsteps of Pettigrew and McNulty (1995) who, as previously discussed, gained access by tapping into a network of members at the Centre for Corporate Strategy and Change Advisory Board. The Advisory Board members wrote 20 letters to their contacts, resulting in a 100% response rate. Ruigrok *et al* (2006) on the other hand received only a 28.5% response rate when they approached 217 Swiss company chairmen and vice-chairmen, whom they did not know, to participate in a survey. Furthermore, support for this approach is found in other studies of 'elite' members of an institution, 'elite' being defined by Pettigrew (1992b p163) as "those who occupy formally defined positions of authority". In her discussion of the strategy and tactics on interviewing members of an ultra-elite, for example, Zuckerman (1972), highlighted that her initial interview participants indicated that they had not had time to read the longer letter of introduction that she had sent.

Within a week of sending the email to all 35 individuals to request an interview, 18 responded to confirm their willingness to participate and to arrange a time to meet. Ten responded within a fortnight to indicate their willingness to participate, resulting in an 80% success rate. The remainder responded once a follow-up email had been sent.

From the group of 30 identified through a professional network, only two individuals did not agree to participate for reasons later identified as pressure of work and travel. Of the additional five individuals who had been identified through publicly available

information, one refused point blank to participate saying she was too busy, two agreed to participate and invited me to meet face-to-face at their places of work, and two agreed to meet but did not follow through to make a final arrangement. One follow-up email was sent to both parties but when no further response was heard, the matter was left.

Of the 28 who agreed to be interviewed, diary commitments on both sides prevented a face-to-face meeting with 13 individuals but allowed for a telephone interview. The remaining 15 agreed to meet in person. Of these 15, last minute schedule changes meant that two meetings needed to be rescheduled but they still took place in person. Of the 28 individuals who agreed to be interviewed, four were organisational executives, selected with a view to gaining an external perspective insight into non-executive board member behaviour from those working closely with the board. The group provided 20 non-executive board members, of which 65% are male. Using the aforementioned list of Executive NDPBs and Public Corporations, statistical analysis indicates that 71.82% of board positions are filled by men. Thus, albeit by default, the participant group is relatively similar in terms of its gender mix.

Nevertheless, the method of selecting the participants does have two key limitations. Firstly, as can be seen from Figure 21, the main professions of Executive NDPB board members are listed as self-employed consultant, civil servant, farming/crofting, educationalist and director not-for-profit sector. Within the research group, only accountants, directors (private and not-for-profit sectors), education-related and self-employed consultants are represented. The views of board members from a farming/crofting, trade union or local government background are therefore notable by their absence. The research group is, however, indicative of the range of individuals that come into contact with the executive search and selection arena. By nature of their career environments, company policies and/or the business development direction of the business, little contact would have been had with local government officers, trade unionists and those within the farming and crofting community.

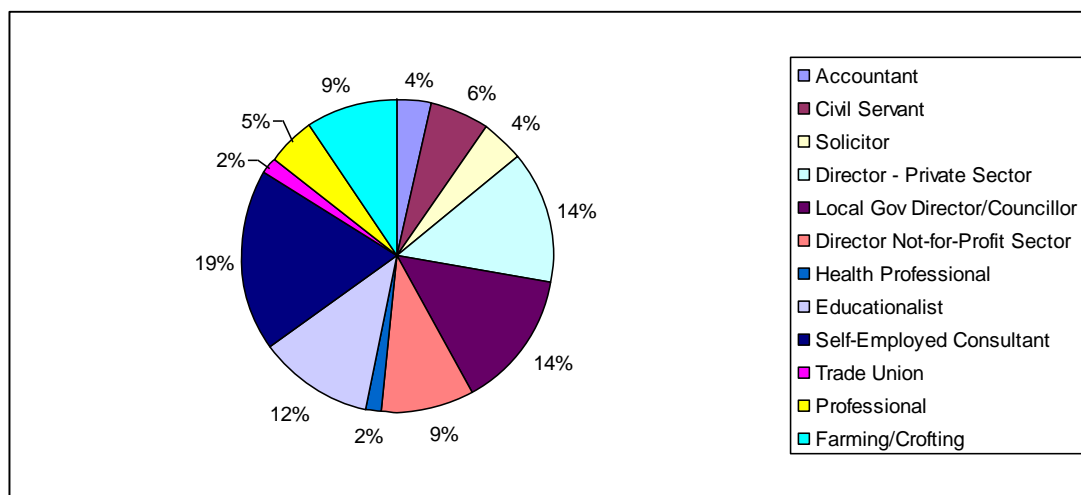


Figure 21: Chart showing main professions of Executive NDPB board members
 Source: Author using data available from the Scottish Public Appointments website

Secondly, of the general population of NDPB board members, 14% identify themselves as being retired. Within the participant group, 43% have retired, which accounts for their degree of flexibility in arranging a suitable time to be interviewed. The extent to which these factors may influence the findings must be examined in greater detail during the analysis stage of the research. The breakdown of the final group of research participants is outlined in Table 1. For reasons of confidentiality, individuals are not identified by name or NDPB.

#	Gender	Current NDPB board position	Current NDPB board size	Current employment status	Career	Prior NDPB board experience excluding current role	Prior board experience excluding NDPB boards
1	Female	Non-executive board member	Large	Retired	Director public sector	No	Yes
2	Female	Non-executive board member	Small	Retired	Self-employed	No	Yes
3	Male	Former Chairman	Small	Retired	Director public sector	No	Yes
4	Male	Chairman	Large	Retired	Director private sector	No	Yes
5	Male	Non-executive board member	Large	Retired	Director public sector	Yes	Yes
6	Female	Non-executive board member	Small	Executive	Director public sector	No	No
7	Male	Accountable Officer	Medium	Chief Executive	Director public sector		

8	Female	Former non-executive board member	Large	Portfolio non-executive	Director public sector	Yes	Yes
9	Female	Non-executive board member	Small	Executive	Public sector	No	No
10	Male	Non-executive board member	Large	Portfolio non-executive	Director private sector	Yes	Yes
11	Male	Director	Medium	Executive	Public sector		
12	Male	Accountable Officer	Small	Chief Executive	Director public sector		
13	Male	Non-executive board member	Large	Portfolio non-executive	Director private sector	No	Yes
14	Male	Chairman	Medium	Retired	Director public sector	Yes	No
15	Male	Non-executive board member	Medium	Director	Director private sector	Yes	No
16	Female	Non-executive board member	Large	Chief Executive	Director public and private sector	No	Yes
17	Male	Non-executive board member	Large	Retired	Director public and private sector	No	Yes
18	Male	Non-executive board member	Large	Director	Director private sector	No	Yes
19	Male	Chairman	Small	Portfolio non-executive	Director private sector	Yes	Yes
20	Male	Non-executive board member	Medium	Self-employed consultant	Director private sector	No	No
21	Male	Non-executive board member	Large	Portfolio non-executive	Director private sector	No	Yes
22	Female	Director	Medium	Executive	Public sector		
23	Male	Chairman	Large	Portfolio non-executive	Director public and private sector	No	Yes
24	Male	Non-executive board member	Medium	Director	Director public sector	No	No
25	Male	Non-executive board member	Large	Retired	Director private sector	No	Yes
26	Female	Non-executive board member	Medium	Executive	Director public sector	No	No
27	Male	Chairman	Medium	Retired	Director public sector	No	Yes
28	Male	Non-executive board member	Large	Portfolio non-executive	Director public and private sector	No	Yes

Table 1: Overview of interview participants' current NDPB board role and previous experience

5.3.6 Interview structure

In designing the interview structure, six issues were taken into consideration. Firstly, the core issues needed to be addressed within the first hour of the interview as this represented the time formally agreed with interview participants. Secondly, board members are often categorised as 'managerial elites' (Pettigrew, 1992b, Samra-Fredericks, 2000). They have been characterised as possessing a number of distinctive interpersonal traits. Marren (2007), for example, in his discussion piece as to why committees are inefficient and ineffective decision-makers, describes such elites as more used to directing conversations than participating in conversations and notes that the limited time available to such individuals as a result of their work schedule places restrictions on their level of communication and willingness to commit. Zuckerman's (1972) description of her interview experience indicates she experienced similar characteristics during the course of her elite interviews, albeit her interviews involved Nobel laureates working within the scientific arena. Thirdly, to ensure credibility was maintained, time was spent preparing for each interview by studying publicly available background for each interview participant because: a) the time available was short; and b) having relied on professional experience to gain access, maintaining the level of professionalism during the interview was considered of paramount importance.

Fourthly, the initial conversations were tailored to take into consideration the two groups of interview participants - previously known by the author and unknown. For the interviews that took place with known individuals, the meeting began with a brief catch up on their news before beginning the interviews. For the unknown interview participants, the interview began by providing a brief synopsis of experience as a recruiter in the area of public sector board appointments and the resultant PhD link. Although it is acknowledged that the degree of familiarity between the author and the majority of the interviewees may be criticised for creating an interview environment that is irreproducible for the purposes of qualifying the findings, it was felt important that the existing relationships were used to their full advantage to gain full and descriptive insights and that credibility was established with the previously unknown

interview participants to ensure that they felt that they were engaged in a discussion with an interviewer who was professionally familiar with the pertinent issues. Furthermore, adopting such an approach implemented Mann's (1951) recommendations from his discussion of the human relations skills needed in social research, as it facilitated the establishment of common values and the demonstration of respect for the interview participants' knowledge and experience.

Fifthly, before beginning the interview, each participant was asked if they were happy for the conversation to be recorded as a means of ensuring that our discussion was not interrupted or distracted by note-taking. Reassurances were provided at that point in terms of confidentiality and the non-attributable nature of the way in which the findings would be used. Each individual agreed to have the interview recorded without question or concern. In a number of cases, during the course of the interviews, some delicate or sensitive issues came to light. When this was the case, the individuals concerned asked that their comments be considered 'off the record'.

Finally, in his guide to designing qualitative research, Flick (2007b) advocates the need for a structured approach to ensure that interviews are conducted in a consistent manner and that any deviation from topic can be fully explored without losing the basic train of the interview. A structured introduction was prepared and was read from notes to ensure consistency. Figure 22 replicates these notes.

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| <ol style="list-style-type: none">1. "Thank you for agreeing to take part in the research2. Although research into plc Boards has received a lot of attention in recent years, the role of a NDPB board and its members has largely been ignored3. Although my research draws from work in the private sector, the focus of my PhD is in gaining an insight into how NDPB board members function.4. I am interested in hearing of your personal experiences, in as much detail as you feel comfortable to provide.5. I have a set of structured questions that I would like to cover, however, please feel free to comment or raise issues that you feel important as we go along.6. Our interview should not take longer than an hour and I'll be keeping a check on the time to make sure that we do not run over." |
|--|

Figure 22: Introduction used for interviews

In an attempt to factor in the best practice recommendations made by Flick (2007b) and Kvale (2007) in their guides to conducting research interviews, each participant

was asked, "Do you have any questions before we begin the interview?" All participants confirmed that they were happy to proceed without any further clarification. This question also gave structure to the proceedings and marked a distinct beginning to the interview, from which point on the conversation was recorded. At the end of each interview, each participant was thanked for their contribution and insights and asked if they had any further thoughts or comments they wished to add or felt were important issues to be considered. The majority felt that they had nothing further to add. The remainder took the opportunity to re-emphasise points they had made during the discussion. At that point the Dictaphone was switched off and as part of the closing pleasantries each participant was asked if they had any comments to make about the interview itself or the way in which it had been conducted. Although no issues or comments were made, it is acknowledged that to a certain extent the participants accepted a particular level of "method behind the madness" to the research questions as, given the prior relationships held with the majority of participants and familiarity with the research arena of the remaining participants, there was a general acceptance that the interview would not be carried out in its particular format without a valid reason.

During the course of the interviews, only one individual ignored the introduction and launched into their own perceptions of the role of the board member before allowing themselves to be drawn back into the specific areas under examination. By their own admission at the outset, they find the subject fascinating and were delighted to be participating in the discussion. The remaining interviews ran very much according to plan. The extent to which this was facilitated by the structured approach, the participants' familiarity with being interviewed or the author's previous experience as a recruiter and familiarity with interviewing senior level executives, is open for further discussion.

5.4 Quality of data collected

This section examines the quality of the data collected by considering the interview content, the use of field notes and supporting documentation, the method used to

check the quality of the data, the reliability of the data, the recording quality, and the ethical issues addressed.

Kvale (2007) recommends asking participants to sign a declaration to confirm their consent in his guide to conducting research interviews. Nevertheless, on the basis of the existing relationship held with the majority of individuals, no written confirmation was sought. Establishing trust had been fundamental in developing the network of contacts in a professional environment hence these interviews were approached as an extension of this relationship. For the two participants who agreed to participate without any prior knowledge of the author, both are involved in the field of research and therefore are familiar with the principles on which their comments would be used.

There are four particular instances that suggest that the existing relationship resulted in interviews that might otherwise not have been so candid. Firstly, one Accountable Officer, said, “You are welcome to see a copy” (Participant No. 12) in reference to their detailed strategic plan, the circulation of which is monitored. Secondly, a Chairman also made reference to his perception of the way in which his comments would be interpreted when he replied to a question relating to the main source of influence over the organisation's strategic direction, saying “Whether it is a small world, I don't know, and you will know that better and that is your judgement call when you interview other people”. The nature of the professional relationship was also alluded to in an exchange towards the end of the discussion where he was asked if he had enough time to continue for a few more minutes. He commented:

- "A: I know this probably isn't the kind of interview I would have given you two years ago, which is quite interesting in itself.
Q: What do you think would have been different?
A: I would have been very upbeat and very positive.
Q: And you don't feel that you have been in this?
A: No. No, I don't."

**(former non-executive chairman, retired,
previously executive director not-for-profit sector, male, No. 3)**

Thirdly, an Accountable Officer, commented, in response to a follow up question which asked him to clarify the extent to which he felt personal characteristics influenced the nature of the hierarchical relationship, as follows:

"You know, you establish your credibility, establish the fact that you are a safe pair of hands but that you can still bite occasionally or that you are worth listening to. You know, it's like human nature. It's like dealing with you – what's the stable the person came from?"

(Accountable Officer, male, No. 7)

Finally, an executive director made reference to subjects that had been discussed in the course of the working relationship and prior to the interview, making comments such as:

"I know you and I have talked about this" and "You and I have talked before ..."

(Executive director NDPB, No. 11)

Despite the sense of familiarity achieved with known contacts, one of the two interviewees previously unknown to the author began the interview by responding to the introductory remarks – specifically the confidential and non-attributable manner in which her comments would be used – by saying that she had no intention of saying anything controversial. However, half way through the interview, she made a comment about the previous chairman of her board that was quickly reneged, saying, "Please don't put that in". Furthermore, another non-executive, who has extensive public and private sector experience and who agreed to take part in the research as a result of a relationship by proxy, responded with the following remarks when asked whether he had any comments to make about the interview process itself:

"No, I think you've – that's been very comprehensive. Well, I mean, we have ended up talking much longer and more deeply about some of these things than I expected we would have done. That is not a criticism, that is an observation but I am not rushing off to another meeting or anything.

So, no, I think you've – and actually some of the stuff you've teased out was stuff that I hadn't even – I gave a little bit of thought to this call before it happened – there is more to come out of it as a result of the questions that you've asked me than I had expected there to be.”

(non-executive NDPB board member, portfolio, previously private sector director, male, No. 21)

5.4.1 Interview content

To examine the underlying issues identified through the research questions, the interviews were structured into four topics: a) the role of a board member; b) the influence of external factors; c) the strategic nature of the board's role; and d) the board as a team. It was felt that the opening question should be one which would engage the interview participant and create a relaxed environment in which to carry out the interview: *"Please begin by telling me why you decided to undertake an appointment in the public sector"*. This opening question offered the opportunity to gain an insight into individuals' motivation for taking on such a role.

With regard to the first topic, the questions were designed to gain an insight into board members' personal experiences of being a board member and to understand the perspective from which they approached their role. To achieve this, lineal questions were used in order to draw the interviewee into the subject matter quickly, to establish the fundamental facts associated with their appointment, and to ensure that the discussion gained the specific insights that were of interest. The questions used are illustrated in Figure 23.

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- | |
|---|
| <ol style="list-style-type: none">1. When you were appointed to a NDPB board, how were your role and responsibilities communicated?2. The Scottish Government sets out the three main functions of a NDPB board as being: a) to represent the interests of the Minister; b) to provide active leadership to the body; and c) to hold the Chief Executive (and senior management) to account for the management of the organisation and the delivery of agreed plans on time and on budget. Taking each of these in turn, to what extent do you agree that this is an accurate reflection of your duties in situ?3. From your experience, where does a NDPB board fit into the governmental hierarchy in terms of how the NDPB is run?4. From your experience, where does a NDPB board add value? |
|---|

Figure 23: Questions asked in relation to the role of the board member

As discussed further in section 5.4.4, a quality check was conducted after the first three interviews had taken place. During this check, the transcripts were examined to consider issues such as: balance of question and answer length, extent to which pertinent issues were probed and the degree to which the issues were covered within the time frame available. During the course of this review, it became apparent that each of the interviewees was interested in the nature of the research being conducted, i.e. the point that it was setting out to prove. In order to clarify matters and remove the possibility that interviewees would feel that this research had a pre-set agenda, a further bullet point was inserted into the introduction between bullet points 3 and 4 in Figure 22: "As research to date in this area is scarce, this research sets out to be exploratory. It is not seeking to prove or disprove any hypotheses. Instead, it aims to conceptualise the role of NDPB boards with a view to gaining an insight into how they function".

In relation to the second section, strategic questions were used to direct the discussion towards the interviewee's perception of the way in which their environment shapes the way they fulfil their role. Although the literature review identified seven key external environmental factors within the literature, the interview questions were designed to concentrate particularly on the interviewee's experiences of the issues of public accountability. It then sought to examine how the participants felt about the paradoxical qualities that appear to be inherent within the board role as a result of the environment in which it operates, such as the paradoxes of: a) independence versus critical judgement, b) independence versus representative

of Minister, c) part-time nature of the role versus full-time scale of responsibility, and d) a team approach versus the need for objectivity of individuals.

The third section of the interview sought to gain an insight into how interviewees felt that the board was involved in the strategic direction of the organisation. To achieve this, further strategic questions were asked. It became apparent at an early stage of the fieldwork, however, that the issues raised by this section of the questioning tended to overlap those raised as a result of asking interviewees how their intended role of providing active leadership to the body manifested itself. The final section of the interview sought to gain an insight into the relationship between board members and between a NDPB board and the organisation.

During each interview, reflexive questions were used where appropriate to ensure that the full meaning of the response was understood and to expand on the descriptive information provided where necessary. For example, during an interview with one experienced non-executive director, who also holds a full-time executive position within a private sector company, an initial question regarding the interviewee's experience of the way in which they interacted with their board colleagues in comparison with their executive colleagues, the subsequent questions were as follows:

"Q: As you said, your background is in reputational management and communication. Do you find that in a non-executive capacity you have to deal with a lot more ambiguity than you do within an executive environment?

A: I'm not sure about ambiguity. I think that you spot the things that seem very sensible to the executives that just aren't accepted as sensible by your own. It's a risk thing, isn't it?

Q: As in an awareness rather than an aversion?

A: Awareness. Awareness and at this time is that really what we want to do? I'm trying to give you an example. There is just an awareness of how this will play with the politicians, how this will

play with the media or indeed how this will play with the customer."

**(non-executive NDPB board member,
currently executive director private sector, male, No. 15)**

During the course of the interviews, a greater understanding was gained of the dichotomous qualities inherent within Flick's (2007b p64) reference to the "tensional field" between consistency and flexibility. Although the interview followed the structured set of questions that had been prepared, there were many occasions during the course of the interviews where interviewees digressed into descriptive examples of issues, the content of which anticipated other pre-prepared questions. Balancing the need to retain a degree of consistency between interviews while also seeking to explore aspects further, and all within a limited time frame, was challenging. In a similar approach to that of Zuckerman (1972 p166), however, "the interviewer responded with mixed sympathy and determination to continue" in order to draw the discussion back on track.

5.4.2 Field notes

A field-note journal was kept during the period in which the first stage of interviews took place. Notes were kept in an attempt to encapsulate two factors: firstly, personal notes relating to the nature of the relationship with the interview participant (cold-contact, previous candidate for a position, previous client, networking contact etc). Secondly, notes about the interview environment and sense of rapport achieved with the participant. Interviews took place at interviewees' preferred locations in an attempt to make access as easy as possible. Locations included, for example, individuals' homes, coffee shops, neutral offices, work offices and members' clubs. Despite concerns that the interviews that took place in public places would be somewhat guarded, this did not prove to be the case. Interviewees displayed no outward sense of being guarded or uncomfortable in discussing the issues in a public location.

5.4.3 Documentation

To ensure consistency of questions and accuracy of note-taking, a master copy of interview questions was used for each interview and all interviews were digitally recorded. The field-notes were made immediately after the interviews and transcripts of the interviews were completed within four weeks of the interviews taking place.

5.4.4 Quality check

In an attempt to counteract any challenges as to the quality of the research undertaken, a number of factors were taken into consideration. A number of authors of guides to conducting research, particularly those aimed at postgraduate students, such as Miller (1991) who discusses the issues involved in research design and social measurement, highlight the importance of gaining interview experience prior to conducting the formal research interviews. Timing and logistics prevented such a targeted exercise from taking place, however, during the five years spent as a professional recruiter, extensive experience of interviewing individuals in this area had been gained. Although the subject matter of the interviews to be conducted was different from recruitment assignments, it was felt that the fundamental skills were present. Furthermore, an informal meeting was arranged with a professional contact who was known to share an academic interest in public sector board issues. He agreed to act as a sounding board for the intended style and content of the interview. His comments were encouraging and helpful. He was enthusiastic about the topic and felt that it addressed a number of topical and pertinent issues but he also commented on the volume of originally planned questions, indicating that he felt the volume was too great for the time available. As a result of his feedback, the number of questions was reduced.

For logistical reasons, practice interviews were not feasible. However, a natural break of four days occurred between the first three interviews and the fourth

interview. This time was used to transcribe the first three interviews and to analyse the quality of the interviews conducted. This process drew attention to two issues. Firstly, there was a nervous tendency on behalf of the author to ask two versions of a question at a time in the first interview. For example, during the follow up to the initial question as to why the first interviewee chose to take up an appointment in the public sector, the following double-questions were asked:

"Q: And is that the bit that keeps you motivated? Is it the personal stimulus that keeps you motivated to keep doing things or is it the contribution?"

Then, following her response, a further two questions were asked, as follows:

"Q: You have a portfolio of interests. How do you balance between your different commitments? I mean, how do you personally go about that?"

Secondly, it was hoped that listening to the audio again would help to establish the extent to which the questions used were extracting the kind of information sought. Doing so drew attention to the ineffective way in which a question had been structured. In particular, the first interviewee answered the question posed but then reflected:

"... but I'm not sure I fully understood your question."

**(non-executive NDPB board member, retired,
previously not-for-profit sector, female, No. 1)**

This matter was rectified through a clearer follow up question but it prompted the revision of the questions in this area to ensure that they were presented more clearly.

5.4.5 Data reliability

In order to transform the voluminous collection of data from the transcripts into what Flick (2007a p1) refers to as "a clear, understandable, insightful, trustworthy and even original analysis", the digital recordings of the interviews have been transcribed. From a data reliability perspective, this raises a number of issues because although transcription is intended to transform the spoken word "into neat, typed copy", it is often criticised for its propensity to introduce issues of "accuracy, fidelity and interpretation" (2007a p11).

The interviews have been transcribed to facilitate the data handling process and provide the basis on which the data gathered can be coded and analysed. Working on the principles of the old computer maxim, garbage-in-garbage-out, considerable care and attention has been given to the accuracy with which the transcripts have been created. In order to provide a complete, transparent picture, each interview is transcribed verbatim. The Jeffersonian style of transcription notation was considered but dismissed, despite Rapley's (2007) assertion of its position as an industry standard for those undertaking aspects of conversation analysis as the proposed method of content analysis does not require the same level of detail. Instead, a consistent method of transcription, derived from professional experience of transcribing verbatim Court transcripts, was used. It is acknowledged, however, that this notation choice is driven by author preference rather than systematic rigour. In preparation for the data collection as well as the need to generate a part-time income, the author has been employed for over two years as a freelance transcriber with a firm that provides transcription services for the Irish Courts. Poland's notation system bears significant resemblance to the notation system used in the verbatim court transcripts, hence it was a logical choice for ease of use and speed of transcription (with one hour of audio being transcribed in first draft format in an average of three hours). Furthermore, given the importance of producing accurate verbatim transcripts from court proceedings, in particular the nuances inherent within court judgments, the author has received considerable training in transcript accuracy.

To facilitate the anonymity of the findings, each printed transcript has a detachable front page, which encapsulates what Flick (2007a) refers to as the associated "metadata", for example, information such as the name of the interviewee, the date of the interview, brief biographical data, and the location and context of the interview. This serves a purely practical basis in that a) it ensures that any sharing or circulation of transcripts respects the confidentiality within which the interview took place; and b) it provides the basis on which the respondents' attributes are based, which is used extensively during the coding and analysis of the data. The master copy of each interview, including metadata, is kept on computer but only the interview content is transferred into NVivo for the purposes of data analysis.

During the analysis phase, the transcripts are used, to borrow Spiegelberg's phrase, as "aids for the sluggish imagination" (Flick (2007a) citing Garfinkel (1967, p39)) and are not used as a substitute for listening to the meaning being conveyed through the words through tone of voice, speed of response and other such indicators. Indeed, during the course of the data analysis, advantage is taken of NVivo's capability to locate interview audio alongside the transcript. With hindsight, the ideal scenario would have been to use NVivo's transcription function to timestamp the audio and enable the two to be played simultaneously.

5.4.6 Data recording quality

As discussed in section 5.3.5, 28 individuals agreed to participate in the research and 13 of those interviews took place by telephone. The audio quality of 12 of those 13 interviews achieved the same degree of clarity as that obtained during the face-to-face interviews. Unfortunately, during the 13th interview, approximately one minute of audio was affected by white noise on the phone line.

5.4.7 Ethics

In their discussion of the ethical issues of interviewing, Kvale (2007) raises a number of questions to be addressed at the start of an interview study. These questions are reproduced in Figure 24. Taking these issues into consideration, a number of factors are noted: firstly, although research into this area is currently topical and the product and process of public sector board appointments have attracted media attention in the past, it does not aim to expose or discuss highly controversial topics. Furthermore, the interviews took place in the knowledge that, as public servants within Scotland, all participants have a statutory responsibility to abide by the Ethical Standards in Public Life etc. Act (Scotland) 2000. Despite participating in the research as independent individuals who are not expressing the formal views of their organisation, they are bound by a responsibility to behave ethically during the period of their appointment. Secondly, as discussed in section 5.4, formal written consent was not obtained however a verbal agreement was made that the findings from this study could be used on a non-attributable basis.

Thirdly, with regard to issues of confidentiality, there is only one labelled copy of the audio, which is securely stored as a master copy. Copies of the transcripts have been transferred using a numerical method of identifying the interviewees. All names and references to specific organisations have been removed. Given that the vast majority of the interviews were frank and candid, with a number of interviewees choosing to speak 'off the record' to help clarify my understanding of matters, maintaining interviewee anonymity and content confidentiality is of paramount importance. These participants occupy high profile positions within the Scottish community and to have any remarks taken out of context could have serious consequences for their personal reputation and status particularly where participants have been forthcoming with their frustrations and criticisms of the current environment.

-
- What are the *beneficial* consequences of the study?
 - How can the study contribute to enhancing the situation of the participating subject? Of the group they represent? Of the human condition?
 - How can the *informed consent* of the participating subjects be obtained?
 - How much information about the study needs to be given in advance, and what can wait until a debriefing after the interviews?
 - Who should give the consent - the subjects or their superiors?
 - How can the *confidentiality* of the interview subjects be protected?
 - How important is it that the subjects remain anonymous?
 - How can the identity of the subjects be disguised?
 - Who will have access to the interviews?
 - Can legal problems concerning protection of the subjects' anonymity be expected?
 - What are the *consequences* of the study for the participating subjects?
 - Will any potential harm to the subjects be outweighed by potential benefits?
 - Will the interviews approximate therapeutic relationships and if so, what precautions can be drawn?
 - When publishing the study, what consequences may be anticipated for the subjects and for the groups they represent?
 - How will the *researcher's role* affect the study?
 - How can a researcher avoid co-optation from the funding of a project or over-identification with his or her subjects, thereby losing critical perspective on the knowledge produced?

Figure 24: Ethical questions at the start of an interview study

Source: Kvale (2007 p26)

Fourthly, in terms of publishing findings from the interviews, few, if any, negative consequences are anticipated. The aim of the research is to explore the way in which NDPB boards function and to develop a conceptual model to that effect. It is not the aim of the piece to present the findings in such a manner as to suggest that the ways in which the boards function are right or wrong.

Finally, although the author does not have any concerns with regard to any ethical issues involved in engaging individuals within the research, the final two questions raised by Kvale have given considerable food for thought. The extent to which the issue of research bias has affected the findings is discussed in greater detail in the

following chapter. Although the author's personal network has facilitated access to a scarcely examined area of board activity, it is acknowledged that the presence of existing relationships with the research participants presents a number of ethical dilemmas, particularly with regard to the issue of maintaining a critical perspective. This became particularly apparent during one of the early interviews, for example, where a well known individual provided a very candid description of his experience as the chair of a NDPB and the consequential impact he believes the experience to have had on his own personal life and professional reputation. Although the specific circumstances of the events leading to this experience are not of interest to this research, the way in which the events occurred provides a unique insight into the way in which the board can function within the governmental hierarchy. This has given rise to a sense of torn loyalty, in effect wrestling with the desire to adopt a defensive position and support a valued colleague versus the need to maintain a critical perspective in order to gain valid and credible findings from the research. In turn, given the author's professional role as a consultant to the Scottish Government, it also became apparent that the author possessed knowledge about board member appointments that were not known by board members themselves. As a result, it is essential that, during the analysis and interpretation phase of the research, mechanisms are put in place to ensure that an objective and critical perspective is maintained.

5.5 The analytical approach

Having identified the method of data collection considered most appropriate for this research, the role of the literature review as a form of data analysis in this research must not be ignored. Using a literature review as the first stage of data analysis facilitated the identification and examination of such issues and provides the framework within which to carry out further analysis. Literature reviews are often tarred with bland descriptions, for example, in his discussion of qualitative research methods for social sciences Berg (2004 p305) describes a literature review as a "comprehensive review of previous works" (Berg, 2004 p305). However, Fink's (1998 p3) discussion of the process of conducting literature reviews provides a much

more apt description: a literature review is a “systematic, explicit and reproducible method for identifying, evaluating and interpreting the existing body of recorded work”, which places as much emphasis onto the validity and reliability of the process as on its final outcome. The literature review used in this research began with a systematic approach towards identifying the most relevant literature in the field, and followed Fink's (1998) pragmatic recommendation of conducting a two-stage screening process to focus firstly on practicality, and then on quality. At the outset, to facilitate the identification of relevant literature, the checklist presented by Saunders *et al* (2000) in their overview of research methods for business studies and reproduced in Figure 25, was used as a reference point.

- | |
|---|
| <ul style="list-style-type: none">• How recent is the item?• Is the item likely to have been superseded?• Is the context sufficiently different to make it marginal to your research question(s) and objectives?• Have you seen references to this item (or its author) in other items that were useful?• Does the item support or contradict your arguments?• Does the item appear to be biased? Even if so, it may be relevant to critical review• What are the methodological omissions within the work? |
|---|

Figure 25: Checklist for evaluating the relevance of literature
Source: Saunders, Lewis & Thornhill (2000)

Once the most significant works in the field had been identified and the prevalent themes became apparent, further examinations of the literature were carried out, using published bibliographies for reference purposes, to ensure that critical works were not omitted. To facilitate this process of data gathering, EndNote bibliographic software was used. Its ability to store formal abstracts and personal notes, attach electronic copies of journal articles, conduct simple and advanced searches and facilitate the grouping of articles according to their subject matter or purpose is invaluable. In particular, EndNote's ability to electronically store the full range of articles that were considered yet rejected by the screening process ensured that articles remained locatable and included in searches as appropriate to prevent key works from being overlooked.

The reliance on literature to provide the focus of this research is in contrast to the inductive approach taken by a number of eminent scholars in the field of UK board research, such as McNulty, Roberts, Pettigrew and Stiles (for example, McNulty and Pettigrew, 1999, McNulty *et al.*, 2005, Stiles, 2001, Stiles and Taylor, 1996, Stiles and Taylor, 2001) whose work is strongly influenced by grounded theory. Their approach is, however, indicative of the scarcity of empirical work in this area prior to their investigations.

The degree of importance associated with the rigid categorisation of data collection techniques into either qualitative or quantitative categories is no longer as prevalent. That said, however, the primary method of data collection used during the fieldwork stage of this research - one-to-one interviews - falls under the category of qualitative research. The data has been collected with the intention of gaining an understanding of the actions of individuals associated with the board of a NDPB. It is therefore an insight into the intentions and meanings that lead to consequences that are inherent within the nature and characteristics of a NDPB board's relationships (Miles and Huberman, 1994). In selecting the most appropriate data analysis techniques to deal with the voluminous text that such data collection methods produce, reference is made to the work of Ryan and Russell (2000) and Tesch (1990) who refer to the distinction between the linguistic tradition of qualitative data analysis, which seeks to "treat text as an object of analysis itself" and the sociological tradition, which "treats text as a window into human experience" (Ryan and Russell, 2000 p769).

Within the linguistic tradition, discourse is based on the assumption that language is a social action and thus socially constructed (Wooffitt, 2005). To adopt this approach for the purposes of this research would be to contradict the research perspective outlined previously. Under the umbrella of the linguistic tradition, discourse is considered to be the product of the socially constructed context in which it is produced. Thus, although it reflects our socially determined knowledge about reality, it does not necessarily acknowledge the existence of an external world independent of human consciousness, which is characteristic of the critical realist

ontology adopted by this research. For example, Wooffitt (2005) refers to Schiffrin's (1994) summary of methodologies for studying discourse that fall within the linguistic tradition, each of which illustrates the tradition's focus on the context in which the discourse takes place rather than the insight that the discourse itself offers into the construct of its social environment: a) speech act theory, "the study of the activities performed by utterances and the investigation of the pre-conditions necessary for an utterance to be interpreted as a particular kind of act"; b) interactional sociolinguistics, "the analysis of ways in which common grammatical knowledge may be mobilised by different social or ethnic groups, leading to misalignment in understanding or the ways in which particular linguistic features are produced for particular settings and contexts"; c) the ethnography of communication, "a broadly anthropologically oriented approach which investigates communicative competences specific to different cultures"; d) pragmatics, "the branch of linguistics which studies language use as opposed to the structure of language"; and e) conversational analysis, "the analysis of the sequential organisation of interaction" - and variation analysis - the formal investigation of the ways in which language use varies and changes between groups and across time".

In contrast, the data analysis techniques from the sociological tradition are most appropriate in this context because they consider the text generated by the data collection methods to be an insight into the reality experienced by the interview participant. Thus, the data collected as a result of the interviews represents free flowing text, which can be analysed in one of two broad ways: a) by segmenting the text into its most basic meaningful components, words or phrases; or b) by looking for meaning within broader chunks of text (Ryan and Russell, 2000). Techniques such as key-words-in-context, word counts, structural analysis and semantic networks and cognitive maps are all associated with the segmentation of text (Ryan and Russell, 2000). As the subsequent discussion shows, the word count analysis technique has been used during the course of the data analysis, however, structural analysis and semantic network analysis and cognitive map techniques have not been adopted. Semantic network analysis differs from traditional network analysis as a result of its focus on examining the "structure of a system based on shared meaning

rather than on links among communication partners" (Doerfel and Barnett, 1999 p589). Its strengths lie in its potential to gain an insight into the extent to which the relationship between two parties is based on shared meaning rather than shared connections. There is, however, no guarantee that the relationships identified between words are meaningful regardless of their statistical relationship (Ryan and Russell, 2000). For the purposes of this research, however, it does not provide an insight into the social interactions that exist between parties that is fundamental to this research. Cognitive maps have not been used. Their value lies in facilitating the process of representing "subjective data more meaningfully than other models" and is "a tool to facilitate decision-making, problem solving and negotiation within the context of organizational intervention" (Eden, 1992 p262). Instead, by virtue of the extensive literature review presented previously, this research seeks to address specific a priori issues that have emerged from the literature and not vice versa.

As indicated previously, the selection of semi-structured interviews as the primary method of data collection in this first stage of fieldwork led to a voluminous collection of data in the form of audio recordings and interview transcripts. In deciding how best to handle the data arising out of the first stage of interviews, the option of using the traditional paper and pen approach to coding and categorising the data was quickly ruled out for two practical reasons. Firstly, the part-time nature of this PhD demands the use of time-saving, efficient and organised modes of working. The irregularity of the periods spent on data analysis necessitates a structured, easily visible framework to facilitate the development rather than repetition of work. Secondly, the author has relied heavily on EndNote during the course of this research and is familiar with working in a highly structured and technologically driven medium. The author has not experienced the issue of feeling distanced from the data, as identified by Fielding and Lee (1998), in their discussion of the use of computers in qualitative analysis. To the contrary, the flexibility of the software, in this case NVivo and its ability to combine the interview audio and transcript, has created a sense of distinct familiarity with the data.

5.5.1 Coding structure

The data was therefore coded in two stages. The first stage involved analysing each transcript line by line and creating codes to reflect the content of the transcript. This stage was completed using NVivo's free coding function. The second stage involved categorising the free codes using NVivo's hierarchical coding function. Four main codes were created at the outset: external influence, board functioning, stakeholder role, and strategic decision-making process. The free codes were then broadly categorised under the four main codes and a fifth code was introduced: board member motivation. The content of the free codes were then reviewed and the hierarchical coding function of NVivo was used to identify specific issues raised under each of the main codes. Once complete, the code content was then reviewed again and the codes refined further. This process was repeated until the code content reflected the codes and no further refinements were felt necessary.

5.6 Chapter summary

This chapter provided an overview of the methodological approach to data collection and analysis used in this research. Descriptive in its approach, it recognises the importance of providing a transparent account of the methods used in this research in assessing the validity of the subsequent findings. It is against this background that Chapter 6 presents the findings from the data analysis described in section 5.5.

6. Research Findings

6.1 Introduction

Chapter 3 examined the public sector specific characteristics of the intended role of a NDPB board and how it functions. By adopting a stakeholder perspective of a NDPB board's relationship with its Minister, Chapter 4 concluded that the relationship between a NDPB board and its Minister has a moderating influence over the actual role of the board and how it functions in the strategic decision-making processes of the NDPB. It identified five research questions, which form the basis of this empirical research. This chapter aims to present the findings in relation to these questions. The chapter concludes by discussing the limitations of these findings. Chapter 7 discusses the implications of these findings and their validity in relation to the aims of this research as set out in Chapter 1.

6.2 **Research Question 1: Is the role of a board in the strategic decision-making processes of a NDPB influenced by its relationship with its Minister?**

The findings relating to this research question are presented in two parts. The first part identifies the data in relation to the parameters of the strategic decision-making framework between a NDPB board and its Minister. The second part outlines the data in the context of the NDPB boards' role in their organisations' strategic decision-making processes.

6.2.1 The parameters of the strategic decision-making framework between a NDPB board and its Minister

There is consensus amongst interview participants that the strategic direction of the NDPB is determined at ministerial level but that the strategic decisions involved in the organisational level business planning process fall within the remit of the NDPB board and the parameters of the operating framework are set out in the Management Statement and Financial Memorandum referred to in section 3.2.1. All of the chairmen interviewed received the terms and conditions of their operating framework through a formal letter from the Minister when they were appointed. The terms of the framework were communicated to non-executive board members through their chairman as part of their induction. All non-executive board members interviewed received an induction into the organisation that involved a one-to-one meeting with their chairman and a series of introductory meetings with the executive team. These meetings with the chairman were described as having a dual purpose: firstly, to explain the parameters of the board's role as set out in the Management Statement and Financial Memorandum; and secondly, to establish how the chairman expects the board member to make a contribution to the board. Only one-third of the non-executives interviewed indicated that they had attended any formal training from the civil service in relation to their role as a non-executive board member. Of those who attended, the consensus was that the induction was interesting but the heterogeneity of the NDPBs rendered elements irrelevant for some of the smaller NDPBs who do not have to deal with the level of media scrutiny, for example, experienced by the larger budget NDPBs. Of those who did not attend, their lack of attendance was based on their view that they knew what the role involved and was not attributed to any fault on the part of the NDPB. This is supported by the inconsistency of induction attendance by the nine interview participants who represent two of the NDPB boards included within the research sample.

A first time non-executive NDPB board member, who also holds a full-time executive position in the private sector, described the tension that exists as a result of this division of strategic responsibilities:

"... there were clear lines and that sort of said, "That is our role. It is governed by the Act. You put out the letter that defines, because you are the Minister responsible, and we will go through that and we will agree that with you and that is our plan and we will build a plan around it. But how we go about it, as long as we don't break the law, is our business."

**(non-executive NDPB board member,
executive director private sector, male, No. 18)**

In response to questioning about operating within such a framework, 18 of the non-executive board members indicated that they felt that the parameters within which they operate are par for the course within the public sector albeit that one board member observed that "What you are expected to do and what you do are often two different things" (Participant No. 1). A board member with extensive public sector experience also drew attention to the dynamic and fluid nature of the operating structure that arises from the inherently political environment in which the board functions:

"... completely manageable - not unmanageable if you know what I mean. It is all that kind of thing, you know the British system, it is all ducks and weaves and things that aren't said and things that aren't written down."

**(non-executive NDPB chair, retired,
previously executive director public sector, male, No. 14)**

There is consensus amongst this group of individuals that this tension is an inherent part of their role given the ownership structure of their NDPB. One very experienced public servant chairman encapsulated these views as follows:

"I mean, this is not an independent organisation. This is not an organisation that can act as if it were a private business or whatever. And I think you have to realise that and if you don't realise that or if you don't accept it then you're in the wrong job."

**(non-executive NDPB chair, retired,
previously executive director public sector, male, No. 27)**

Sixteen of the 18 who sought out a board appointment out of need for either intellectual or career stimulation or a need to remain involved at a senior level fall into this category consider this environment to be part of the challenge that is inherent within their role:

The findings also show that the budgetary constraints and political influences impose a further dimension to the NDPB boards' strategic framework. Despite not questioning interview participants specifically in this regard, 13 made reference to budget as a determining factor in selecting a course of action. One non-executive, whose current career is at a senior level in the private sector, laughed as he described the contrast that he feels exists between the two sectors:

"[In the public sector} the financial model is a bit bizarre as well because they never really seem to get over budget for anything because what they keep doing is they keep restating the budget."

**(non-executive NDPB board member,
currently executive director private sector, male, No. 15)**

The impact of budget in the strategic decision-making process is also apparent from the unprompted comments of eight non-executives who referred to political timing as the deciding factor in relation to funding requests:

"... what often [Ministers] will do is, you know they can't deliver within that particular budget term or at the particular time but they do start factoring in at some point in the future."

**(non-executive NDPB board member, retired,
previously private sector director, female, No. 8)**

Moreover, three of the non-executive chairmen interviewed gave confidential examples of decisions put forward by the board that were overturned by the Minister due to their timing in relation to wider political issues at the time.

6.2.2 Role of the NDPB board in the strategic decision-making processes

During the course of the interviews, participants were asked to describe their involvement in their NDPB's strategic decision-making process. The findings show that although NDPB board members distinguish between the strategic direction set by Ministers and the operational NDPB planning process, all interview participants use the word "strategy" interchangeably. No distinction is made between strategy at policy level and strategy at business planning level.

In the context of the five stages of the strategic decision-making processes identified as the framework for this study in Chapter 4, the findings show that at ministerial level board members feel that they are used as a source of intelligence in the intelligence gathering process, contribute to the direction setting process, and are involved in the process of uncovering alternatives. Their role at this level however is shown to be limited to that of a participant or advisor rather than a decision-maker.

At organisational level, as the strategic direction is established for the NDPB, the findings show that board members feel that they are used but sometimes underutilised as a source of intelligence during the business planning process. Instead, their primary role is shown to be that of uncovering alternatives and selecting the course of action to be implemented in order to achieve the aims set out by the Minister. The findings show that interview participants view their own knowledge, experience and expertise as a pool of intelligence that is at the disposal of the Minister, the sponsor department and the Accountable Officer. NDPB board members view their role as having two parts: on one hand, they have a role in providing subject matter intelligence; on the other hand, they have a role in facilitating the intelligence gathering process by challenging and questioning proposed activity at ministerial and organisational level by providing an alternative view of existing intelligence.

The findings in relation to the role of NDPB board members in the intelligence gathering stage of the strategic decision-making processes show that at

organisational level, 13 of the interview participants opined that the collective knowledge, experience and expertise of a NDPB board is an integral part of the Accountable Officer's intelligence gathering process and that it is an iterative process that "is not like a flash out of the blue" (Participant No. 1). In this context, the board meeting agenda is used as a mechanism for the Accountable Officer and executive team to draw from their board's experience because the meeting offers "an opportunity to think through all the issues in a fairly systematic and structured way" (Participant No. 20). Nevertheless, through unprompted comments five interview participants indicated that they felt that the Accountable Officer underutilises the board:

"I don't think staff always use their board members properly. What I mean by that is there is a feeling, 'Well, God, we've got them what are we going to do with them? Well, let's give them this to do so they'll go away'. I think sometimes there is a very strong element of that and I think, as a result, board members who aren't specialists, i.e. it's easier to call up somebody who has a PhD in Forestry if there is a forestry. I mean, that's obvious isn't it? But if, in fact, it is more to do with PR or banging heads together, they are very reluctant to use board members."

**(non-executive NDPB board member, retired,
previously self-employed, female, No. 2)**

The findings show that board members view the sub-committee structure adopted by NDPB boards as facilitating the information flow between a NDPB board and the Minister. It appears that the use of sub-committees enables a NDPB board to maximise the knowledge and experience of its board members by giving groups of board members specific responsibilities according to whether they are appointed to the Audit, Nominations or Remuneration committee. There is consensus amongst non-executive board members that the Audit committee is the most important sub-committee due to its direct influence over issues relating to financial governance. The issues raised by this committee are considered by board members to be of particular importance. Those occupying the position of either Chairman or member of the Audit committee all indicated their awareness of the burden of responsibility

that rests on their shoulders as a result of the information that they provide to the Minister and to the sponsor department.

In relation to their role in the direction setting process at ministerial level, 13 of the non-executives interviewed indicated their belief that have the ability to influence the strategic direction chosen by the Minister before it is finalised despite being unable to provide concrete examples of when such influence had been effective. Three of these individuals did, however, comment that the ability to influence the Minister and actually influencing the Minister are two different issues. Indeed, one experienced public sector non-executive summed up this view by saying:

"... once a politician has said something publicly then it's very, very difficult to have any real impact on that and you just have to accept that is the way they want to go and you better just try and work out how you are going to do it effectively."

**(non-executive NDPB board member, retired,
previously not-for-profit sector, male, No. 5)**

The exception in this case is indicated in the comments of one chairman who articulated his view that he had been given a specific remit by Ministers to "sort out" the problems felt to be inherent within one of the NDPBs in any way he saw fit. To discuss the details of this case further would compromise the individual's confidentiality.

The findings in relation to board members' involvement in the uncovering alternatives stage of the strategic decision-making processes show that it is in relation to the role of NDPB board members in uncovering strategic alternatives that the data is most consistent. The vast majority of the non-executives interviewed consider their primary role to be that of uncovering alternatives rather than setting the strategic direction or determining the business plan. The most common verbs used to describe how non-executives perceive their interaction with the executives during the business planning process are: "to challenge", "to question", "to probe", "to propose" and "to suggest". Furthermore, the findings show that non-executives

use these behaviours to stimulate discussion and ensure that the consequences of actions are fully understood rather than to undermine the work of the executive team. The findings indicate that board members use their expert power to uncover alternatives. Unprompted, 12 of the non-executives interviewed intimated that their personal experience and expertise rather than their position within the hierarchy gave them the licence to challenge the executive team. For example, one new NDPB non-executive commented that:

"I know I was appointed because of my expertise in computing areas and so I tend to feel justified in giving them the benefit of my opinions in that area whenever it comes to me and I do try to make clear what I think are useful things for them to pursue and to some extent they take that on board."

(non-executive NDPB board member, executive, female, No. 6)

The findings in relation to the role of board members in the process of selecting a course of action during the business planning process show that all board members feel that their board functions as a decision-maker. Nevertheless, the findings also show that this stage of the process takes place within an environment referred to by one board member as "constructive tension". He observed:

"Well, the Chief Executive and his team have to perform to the satisfaction of the board, so he is answerable, yes, and on the other hand, he has the civil servant saying, 'Why aren't you doing this?' and 'Why aren't you doing that?', to which he will say, 'Well, actually the board don't like me doing ...' but that is, that is constructive tension and there should be constructive tension in any organisation."

(non-executive NDPB board member, portfolio, previously private sector director, male, No. 13)

Indeed, the chairmen interviewed are aware that their Accountable Officers have a degree of power and influence over the sponsor department due to the relationships that these parties develop outside the boardroom. Data gathered through unprompted comments and observations throughout the discussions with each of the chairmen

suggests that this gives rise to a degree of underlying tension between the chairman and Accountable Officer due to the chairman's need to assert their authority over the Accountable Officer in order to retain control over their own remit. One chairman articulated this view as follows:

"I think that is important because Chief Executives, if they are good at all, are pretty powerful people, aren't they? They know their business, they know the people, people owe their jobs to them." "Sometimes you've just got to -- I say this is a bit Pollyanna-ish - you can be very clear about what your role is and what you don't want to happen without it being hostile."

**(non-executive NDPB chair, retired,
previously executive director public sector, male, No. 14)**

Constructive tension exists between board members and the Accountable Officer when setting the strategic direction during the business planning process, showing that, despite all occupying appointed positions to the board, eight of the non-executive board members interviewed consider themselves to have greater expertise than the Accountable Officer. For example, non-executives from two of the NDPBs indicated their preference to discuss strategic matters in the absence of the Accountable Officer but also indicated that this preference arose out of their awareness that their Accountable Officers were not including the non-executive members of their board in various matters. One non-executive summed it up by saying:

"... the non-executives have said, 'We need to do strategy' and I think that is where the Chief Executive is trying to steer us away from that."

**(non-executive NDPB board member, retired,
previously executive director private sector, male, No. 17)**

This perception was articulated by one of the two Accountable Officers interviewed, who admitted that he proactively discourages his board from becoming too involved in strategic matters:

"So part of my tuning them in [when they join the board] is to say:
"Look, a lot of your work isn't actually strategic. A lot of your work is corporate governance, it's actually making sure that I spend the money that I get in the right direction".

(Accountable Officer, male, No. 7)

Furthermore, in addition to the environment of constructive tension, the findings also show that the boards' role in selecting a course of action and implementing the business plan becomes much more involved in situations where the Accountable Officer is either absent, underperforming or without the expertise to deal with circumstances that arise.

The discussion thus far has highlighted that the findings show that there are limitations to NDPB board members' involvement in stages of ministerial and organisational level strategic decision-making processes due to the parameters of the strategic decision-making framework that places responsibility for the strategic direction of the NDPB in the ministerial portfolio. The findings also show, however, that the role of board members in the strategic decision-making processes is also influenced by their other roles within the organisation. In particular, the findings show that board member involvement in the strategic decision-making processes is moderated by their other responsibilities to represent the interests of their Minister and to function as a "guardian of the public purse" (Participant No. 3)

Interview participants can be loosely categorised into having three schools of thought in relation to their role as representative of Minister. Of the 24 questioned specifically on this subject, 11 indicated their perception that their role was to protect the interests of the NDPB in order to best represent the interests of the Minister. The same 11 participants commented on the ambassadorial dimension that this approach added to their role. One participant observed, however, that inherent within this stance is the explicit assumption that "the default position is that you support the continued existence of the organisation" (Participant No. 9). Eight others explicitly expressed their view that their role in this regard was that of an instrument of policy

implementation on behalf of the Minister albeit that two of this group acknowledged that the context of the issue would determine whether they would take a stand against the wishes of the Minister or whether they would accept the direction and support its implementation. Either way, as one non-executive put it, board members need to be:

"... clear when you set your own priorities to achieve, not to be too bamboozled by ministers coming on and saying, 'Wouldn't that be a good idea?'"

(non-executive NDPB board member, retired, previously self-employed, female, No. 2)

In addition, six individuals indicated that they feel it is an integral part of their role to challenge the Minister in order to best represent the interests of the Minister:

"Where we think there is a conflict, then I believe we have a duty to go back to the Minister or the Department and point the conflict out, because that may not actually be in their best interests but they don't know."

(non-executive NDPB board member, currently executive director not-for-profit sector, female, No. 16).

In addition to being influenced by their responsibility to represent the interests of the Minister, the findings also show consensus amongst board members that they are influenced in the process of selecting a course of action by their role as a "guardian of the public purse" (Participant No. 3). Nevertheless, this aspect of their role can be broadly grouped into two categories: those who interpret public accountability as being accountable by the taxpayer for the funds spent by their NDPB and those who feel that their role is to hold the NDPB and government to account for the way in which funds are spent. Both categories appear to have a direct bearing on the attitude adopted by board members when involved in selecting a course of action. For example, 10 board members indicated their belief that they represent the interests of the taxpayer. They view their role as holding the NDPB and government to account for the way in which public funds are spent:

"[We are] guardians of the public purse and our main job was to protect the spending of public money."

**(former non-executive chairman, retired,
previously executive director not-for-profit sector, male, No. 3)**

Although they have a role in monitoring the performance of the Accountable Officer and executive team, the data suggests that 10 board members view this monitoring process to be as important for ensuring best value as it is for fulfilling their governance responsibilities. In contrast, the other group of interview participants adopt a pragmatic approach, accepting that when their decisions are scrutinised they must accept responsibility for their actions. One chairman summed up his view as follows:

"And they know that when it eventually pops out - and it did last year because there was a wage row with the bulk of the folk getting paid and I said, let's just straight bat that. I know that can happen and it has. Let's just straight bat it. I'll answer everything."

**(non-executive chairman, NDPB, retired,
previously executive director private sector, male, No.4)**

Nevertheless, the findings also show that four interview participants drew attention to the sense of ambiguity that they feel surrounds the board's role in the broader issue of public sector accountability. Despite the sense of accountability that they feel for the public purse, it is the Minister who ultimately makes the final decision, which is subject to political influences at the time. One board member with over 10 years experience as a NDPB board member said that, when faced with of this kind of situation:

"... there is a question mark about whether it really works and how accountable it is, you know and there is this suspension of disbelief about it all that you want to pretend in a way that it works and that it is worthwhile and everyone kind of gathers together and says, "Yes, we'll

make this work" but at the end of the day I do wonder if it couldn't be better."

(non-executive NDPB board member, retired,
previously private sector director, female, No. 8)

Hence, the findings show that board members feel that the board must navigate its way through the resultant sense of ambiguity that surrounds their own sense of accountability.

6.3 Research Question 2: Do board members feel that they can influence the nature of their relationship with their Minister?

As discussed in the previous section, the findings show that the nature of the relationship between a NDPB board and its Minister takes place within the parameters of the strategic framework previously discussed. The findings also show that board members adopt a strategic approach to managing their relationship with the Minister in an attempt to earn greater autonomy from government, and their engagement in this strategic interplay is part of what attracted them to their board positions.

Firstly, the findings show that 10 interview participants indicated their acceptance that a NDPB board may be held at arm's length from Ministers in the press if decisions made are unpopular amongst taxpayers. This view was summed up by one non-executive board member: "in other words, if things go wrong we're held to account rather than government" (Participant No. 2). In addition, six board members made unprompted comments to indicate that they felt that Ministers took advantage of a NDPB board's paradoxical position of being detached from the day-to-day operations but connected to the output of the NDPB by using the board to deflect blame if a NDPB's activities attract unwelcome attention. Two non-executives used the expression "fast and loose" to describe their view, as in, "... they [Ministers] play fast and loose with who is responsible to suit their own agendas" (Participant No. 17). Nevertheless, the findings show that despite the ability of the Minister to dictate the actions of the board, the relationship is mutually beneficial. Indeed, one board

member described it as "winning enough arguments to keep them interested" (Participant No. 28).

In an attempt to gain independence rather than political distance from Ministers, the findings show that board members adopt a strategic approach to their relationship with their Minister, two of the four chairmen interviewed in particular made unprompted comments as to how they assess the relevant importance of the issue at hand against their view of other issues that may arise in the future. They indicated that their influence over the Minister was strengthened when their intervention was infrequent. For example:

"I mean, I think in the four years, four and a half years, I've only written two or three letters of the formal type, saying, you know, 'I'm a bit concerned about ...' to a civil servant. And I've written positive letters to the Minister and engaged in debate about issues"

**(non-executive NDPB chair, retired,
previously executive director public sector, male, No. 14)**

This approach is also reflected in the view of six non-executive board members who indicate their awareness of the need to decide how important their objections are in the grand scheme of things. One example of such an approach was given by a non-executive board member, commenting confidentially on an event that happened when a new chairman took up post:

"It went round the table and there was a phalanx of board members, including me, on one side of the table saying, 'We shouldn't do this. It's not our job. You've just got to tell the Minister, "No"'. And the Chief Executive said, 'I want to tell you that the Minister is very, very keen on this project and has personally been intervening in it and he will be very unhappy if we say no' and we all said, 'Well, sod the Minister. We're not doing it'.

When it came round to [the chairman], he thought about it, he summed up the meeting, he talked about the pros and cons, and he said, 'On balance, I think we should do it' and we moved on because you know, here's a chairman, on his first ever meeting, is going to go to the Minister that appointed him and say, 'I'm going to oppose you on this'.

Now, the, the Chairman has to think, 'Okay, the board has told me the issues here. I understand them all. Do I want a confrontation with the Minister, over this relatively small issue, at the very beginning of my chairmanship, which may prejudice my relationship with the Minister going forward, on bigger issues, on which I feel I have to win'?"

(non-executive NDPB board member, portfolio, previously executive director private sector, male, No. 28)

The view of these non-executives is linked to the findings that indicate that board members also experience a dilemma between fulfilling their fiduciary obligation to raise issues with the Minister or to follow through with their objection to such an extent that they are left with no option but to resign if the Minister does not respond accordingly.

The findings also show that board members believe they can influence the length of the arm that separates them from their Minister by improving the degree of trust and confidence that the Minister has in the board. In particular, 12 of the non-executive interview participants perceive that the extent to which a NDPB board operates at arm's length from the Minister and civil service sponsor department is determined by the level of confidence that the Minister and sponsor department have in the NDPB as an institution based on its track record and/or the individuals associated with a NDPB board. This perspective was succinctly articulated by interview participant No.8, a retired executive director who has held a number of NDPB board appointments since 2000.

"If you are an established organisation with a good strong board who year in year out deliver and do well, you can be in command of what you do and you'll get a lighter touch."

(non-executive NDPB board member, retired, previously private sector director, female, No. 8)

In this regard, the findings show that board members invest considerable time and effort in developing their Minister's confidence in the board. They also show that board members feel that two factors in particular contribute to the degree of confidence that the Minister has in their ability: firstly, the interpersonal relationship between the chairman and the Minister, and secondly, the collective expertise of the board influences the credibility of the board

Firstly, all of the chairmen interviewed perceive their personal relationship with the Minister to be an important factor in gaining or maintaining a greater degree of confidence in a NDPB board. A non-executive chairman encapsulated this view in his observation that:

"If the Minister does not like the Chair, the Chair will not survive.
Simple as that. There is no compromise."

(former non-executive chairman, retired, previously executive director not-for-profit sector, male, No. 3)

This is supported other findings that the majority of contact between a NDPB board and the Minister is that which takes place between the chairman and the Minister.

Secondly, four non-executive board members indicated without being prompted that their chairman relies heavily on their board members' collective expertise as a form of leverage in discussions with the Minister. Furthermore, in addition to the intimation that a clash in personality is sufficient to sever the relationship, board members place considerable importance on their need to proactively establish trust and respect with the sponsor department and the Minister:

"We've got to be trusted. If there's that trust and respect that I'm talking about, which is fundamental, then the strength of the Scottish government is in letting go and empowering an organisation."

**(non-executive NDPB chair, retired,
previously executive director public sector, male, No. 27)**

All of the board members indicated that they attach considerable importance to their own credibility amongst their peers as well as to the collective credibility of their NDPB board, particularly in relation to exerting an influence over ministerial decisions.

As the findings thus far have shown, by working to increase the degree of confidence that the Minister has in the board, board members believe that they are in a position to influence the length of the arm that separates them from their Minister, in effect increasing their independence. The findings suggest however that the degree of independence enjoyed by a NDPB, which is at the discretion of the Minister as discussed in section 3.2.1, is actually "earned autonomy from the Scottish Government" (Participant No. 7).

In addition to the findings that show board members adopting a strategic approach to their relationship with Ministers, the findings also show that it is this engagement in strategic interplay and opportunity to influence policy that is an important motivating factor for the majority of board members interviewed.

The question of board member motivation generated considerable data. The analytical framework used for data analysis in NVivo contained codes which were categorised under three headings: driven by altruistic reasons, driven by self-interest and driven by circumstances. Of the non-executives interviewed, 17 cited reasons that fall within the first two categories. They indicate that their motivation derives from their sense of public duty and a desire to make a difference on a national scale as well as their own personal interest in the subject matter and need for additional stimulation outwith their every day executive role or retirement. The comments of

one non-executive NDPB board member, who held a very senior position within the not-for-profit sector prior to retirement and currently undertakes two board appointments within the public sector, are indicative of the majority of individuals within this category: when asked why he sought to undertake a NDPB board appointment he replied:

"I think in this post I can make a difference ..." and "[I want] to make sure that I actually enjoy life and I have something worthwhile to get up and on and do in the morning."

**(non-executive NDPB board member, retired,
previously not-for-profit sector, male, No. 5)**

Of these 17, five also commented on their feeling that their contribution on the board is recognised by others and the confidence that such recognition gave them in terms of the value associated with their skills and experience. Three of the five who commented in this manner were speaking from their first appointment as a NDPB board member.

Seven of the 11 non-executive board members who have retired from full-time employment indicated that part of their motivation for applying for board appointments was due to their need for continued intellectual stimulation. For example:

"I need to do something to keep the brain working."

**(non-executive NDPB board member, retired,
previously public sector, female, No. 1)**

"When I stopped working, I didn't want to become a complete vegetable so was keen to really do something to keep my mind ticking over as much as anything else."

**(non-executive NDPB board member, retired,
previously private sector executive director, male, No. 25)**

Of these, four also indicated that they enjoyed the variety that being involved in different boards provided in their retirement in contrast to their executive careers

which had focused primarily on one role at a time. These thoughts were also mirrored in the comments of two of the four interview participants who are making the transition from their executive careers into retirement by having a portfolio of board interests. In addition, eight of those whose board appointments currently either complement their executive careers or form part of a portfolio career drew attention to broadening their own experience in order to continue stimulating their own career progression:

"I was in that stage of my career where I was broadening my experience and trying to learn from other businesses, other industries, other senior managers, so, you know it was part of that."

**(non-executive NDPB board member,
currently executive director private sector, male, No. 15)**

"You are not going to get that stretch in your own business when you are Chief Executive but you can take it up a level and get your stretch somewhere else."

**(non-executive NDPB board member,
currently executive director not-for-profit sector, female, No. 16)**

Seven of the non-executive NDPB board members drew attention to enjoyment that they derive from being associated with a NDPB board due to the status and influence associated with the board. Observations in this area reflected two things: firstly, the sense of personal status attached to the role, where, for example, people are "almost deferential" (Non-executive board member, female, No. 6); and secondly, the sense of status derived from being associated with institutions effecting change on a national scale. For example:

"It has got the responsibility for spending that money to try and positively influence the performance of the Scottish economy, which means you also have the opportunity to interface and work with a number of other stakeholders."

**(non-executive NDPB board member, portfolio,
previously private sector director, male, No. 21)**

In addition, the issue of board member remuneration and its affect on interview participants' motivation was raised by a number of interview participants. The data indicates that the unremunerated or nominally remunerated nature of NDPB board appointments triggers two particular points of contention amongst those board members interviewed. In one camp, five individuals opined that the level of time commitment combined with the nominal or absent remuneration discriminates against those members of the community who cannot afford to work on a voluntary basis, irrespective of whether expenses are covered or not. In the other camp, four felt that as they are not reliant on the income from the appointment, their financial independence means that they are able to deal with matters objectively and critically. However, half of those individuals who have additional paid commitments elsewhere - either through their full-time employment or through their other board responsibilities - deprioritise the time they allot to NDPB board matters if other paid responsibilities require their attention. Two of these individuals did caveat their comments immediately afterwards to assert their view that, for example, "If I've got the time I make it available" (Participant No. 21).

Nevertheless, despite the reasons behind their motivation, the findings also indicate that board members are influenced by their own knowledge and experience in the way that they view the role of a NDPB board and how they perceive their board's relationship with its Minister. All interview participants were questioned as to how their role and responsibilities as a board member were communicated to them. Many gave a multi-faceted reply but responses fell into three categories: 1) eight indicated that their knowledge comes from previous experience as a board member irrespective of sector; 2) nine commented that they learned from the induction process provided by their NDPB; and 3) eight observed they used their experience of working with non-executives during their time as an executive to inform their understanding of their role and responsibilities. Six of those who indicated that their knowledge is drawn from their previous experience have come to their NDPB appointment from a career in the private sector. Indeed, one non-executive board member commented:

"I think all of us on that board, all the non-execs, apart from one, are all out of the private sector therefore we run it like a private sector board."

(non-executive NDPB board member, currently executive director not-for-profit sector, female, No. 16)

There are also indications within the data that 10 of the individuals interviewed had a preconceived notion of what their role as a NDPB board member would be like, based on their prior knowledge and experience of board activity, but that they felt that their actual role was different. In particular, four individuals made unprompted comments as to their unmet expectation that they would be able to influence policy in line with the sense of public duty that had motivated their application. One board member with extensive private sector experience commented:

"It was really quite frustrating. It's very, very difficult to get anything done."

(non-executive NDPB board member, portfolio, previously private sector director, male, No. 10)

Another drew attention to their realisation that, in contrast to their prior private sector career where their ideas were acted on without question,

"Whether the Ministers take it or not is an entirely different matter and you know sometimes we win and sometimes we lose. So, influencing policy is probably harder than I thought it might be when I was first appointed."

(non-executive NDPB board member, portfolio, previously executive director private sector, male, No. 28)

6.4 Research Question 3: Does the nature of the relationship between a NDPB board and its Minister evolve over time?

The relationship between a NDPB board and Minister is shown to evolve over time and the nature of the relationship is also influenced by changes in political climate, the rotational nature of government appointments, and the composition of the board.

Firstly, NDPB board members appear to accept that the extent of their role is determined by the wider political climate and specific issues facing their Minister at any particular point in time. There is consensus amongst 11 of the interview participants that the request for advice by a Minister did not automatically mean that the advice would or could be taken. One experienced public sector director and non-executive board member observed that in this context Ministers often adopt the position of saying, "Yes, I hear the arguments but I just can't do it politically" (Participant No. 28). In effect, board members acknowledge that their knowledge is not used if it is not in the Minister's political interests to do so.

"... a Minister can't say, 'Well, I will always take the advice of the NDPB' either because they have other considerations, some of them political, some of them resource, dah, dah, dah so ... but it is an area that is not tested, defined, it is blurred."

**(non-executive NDPB chair, retired,
previously executive director public sector, male, No. 14)**

Furthermore, the findings also show that Ministers strategically manage their relationships with their NDPBs. For example, one chairman recounted his experience as a member of another NDPB board. He said it was clear to all members of the board that the chairman's relationship with government had broken down but because the operational performance of the NDPB was satisfactory and the issues were not of political significance at the time:

"I think the civil servants went to the Minister and said, 'This guy has only got six months to go. Let's just shut up, leave him alone and we will not rock any boats and time will sort the problem'."

**(non-executive chairman, retired, previously
private sector executive director, male, No. 19)**

Despite the majority of observations in this regard being made by board members associated with large and medium sized NDPBs, the findings show that issues of a politically sensitive nature are not determined by the size of the NDPB. Instead they

are determined by the role of the NDPB in the delivery of public services. This data was collected two years after the Scottish National Party (SNP) became minority leaders in the Scottish Parliament. The extent to which board members were affected by the change in political party can be loosely grouped into those whose NDPB's remit was enriched as a result of its increased importance in the SNP manifesto and those whose role had either been reduced or earmarked for dissolution. The political landscape affects not only the nature of the issues that boards must deal with but also the individuals in government with whom they must work.

Secondly, the findings draw attention to the rotational nature of ministerial and civil servant appointments and the extent to which they influence the relationship between a NDPB board and its Minister. Four interview participants observed the rotational nature of government appointments, in particular the dynamic that results from the transitional nature of civil servants' and Ministers' roles and the lack of synchronisation between the two. One non-executive board member, who has 10 years of NDPB board experience across a range of boards in the public and private sectors, encapsulated her view with the following anecdote about one of the Ministers she worked with:

"I remember when [Scottish MP] was appointed and she was very new and her civil servants were briefing her and she was very interested in everything you did and so on and then when, after the [Specific] Bill and all that kind of carry on, there was a new raft of civil servants came in and she decided to change things but what you noticed was when the new civil servants came in she then had more experience than they had and she was calling the shots in relation to [NDPB's] future. It was a complete turnaround in that relationship."

**(non-executive NDPB board member, retired,
previously private sector director, female, No. 8)**

It is in the context of such changes that the findings also show that the relationship between a NDPB board and its Minister evolves over time because it shows that in the early days of their new appointment, civil servants and Ministers rely heavily on

the expertise of the NDPB boards when direction setting. This was encapsulated in the comments from one board member associated with a large NDPB, who pointed out that the issues that his NDPB deal with are too complex for one individual, and a Minister appointed on a cyclical portfolio basis, to deal with on their own. He was of the view that the domain of decision problems with which their Minister is tasked is reliant on the expertise of a NDPB board:

"Because of that and the complexities of actually managing that process and making sure that you don't exceed budget - and I'll come on to that in a minute - with your expenditure, there is too much going on and too complex for a Minister to be able to haphazardly dictate and do new programmes and everything else without making additional finance available so that part of the Minister exercising control over the organisation, in some respects, he is pretty constrained in the way he can do that."

(non-executive NDPB board member, portfolio, previously private sector director, male, No. 21)

This is further reflected in the data provided by four interview participants, who observed that confidence in the board is a fluid concept that is subject to the influence of a number of variables, including: a) "people's confidence in the organisation" (Participant No. 2); b) the extent to which a NDPB board possess greater knowledge than the civil servants or Minister (Participant No. 8); c) the extent to which the lifecycle stage of a NDPB board is characterised by an established reputation, prestige or power within the economy (Participant No. 8); and d) the extent to which a NDPB board understand that "there is a whole lot of political stuff that you have to be on side with in order to make the other stuff work" (Participant No. 15).

The composition of a NDPB board evolves over time due to board turnover and is also influenced by the skills and experience considered to be in demand. In addition to OCPA's Code of Practice for Ministerial Appointments (Office of the Commissioner for Public Appointments, 2009), which sets out the principles on

which such appointments are made, the application forms used for NDPB board appointments set out clearly the criteria on which applicants are assessed. The meritocratic principles behind the process not only apply to the demonstration of the relevant essential and/or desired experience or expertise but also to the presentation of such information. Figure 26 is an extract from the application form for a board member on the Mental Welfare Commission for Scotland, the full version of which is provided in Appendix 3. It provides an example of an application form with expertise as an essential criteria. In these forms, it is clearly stated that the selection panel do not make assumptions as to the skills and experience of an individual based on a job description. Applicants have to ensure that they comply with the selection process terms in order to be considered.

Please study the accompanying **Person Specification** which provides a list of the essential and desirable criteria, and highlights at which stage in the process each of the criteria will be tested. For the criteria being tested in the application stage, you should use this form to demonstrate that you have the experience, skills and knowledge we have asked for. Draw on examples from your working life, through your participation with a private, public, voluntary or community organisation, and/or other areas of your personal life.

In this part of the form you will find the following, which you should ensure are completed as appropriate depending on the role you are applying for:

- A: Four essential criteria to be completed for ALL posts**
- B: Three desirable criteria to be completed for ALL posts**
- C: One essential criterion to be completed for the Service User post**
- D: One essential criterion to be completed for the Carer post**

This is a very important part of your application. If you do not deal with all of the essential criteria the selection panel will find it difficult to assess your application and may be unable to invite you to interview. We also invite you to say something against the desirable criteria sections. **The selection panel will not make assumptions – for example from a job title – as to the skills and knowledge you have gained.**

Figure 26: Application form extract: Mental Welfare Commission for Scotland
Source: www.appointed-for-scotland.org/Current-positions, accessed 19 November 2010

Fourteen of the non-executive NDPB board members interviewed indicated that their interest in their current board appointment was due to their personal interest in the subjects with which the NDPB was involved as a result of their executive careers. However, these findings suggest that a self-selection process takes place when applicants invest the time required to provide written evidence of their skills and

experience to comply with the application process. The sentiment of their comments is encapsulated by one self-deprecating non-executive board member:

"There are so many areas of public life where we just have a situation in the country where people will be critical, they will just assume that people are in it for bad motives and it makes it very difficult and a lot of people will not do it for that reason, they'll think, 'I just won't get involved' and you end up with possibly dross like me, you know [laughs] You know what I'm saying. Some people are put off."

(non-executive NDPB board member, executive, female, No. 6)

Furthermore, seven of the interview participants expressed their dissatisfaction at the time required to complete the application forms and the length of time involved from the closing date until an appointment was made.

Despite the introduction of the OCPA regulated process, eight interview participants intimated that they had been encouraged to submit applications for their posts through personal contacts and networks in Scotland. For example:

"[The NDPB] were looking for Board Members and I knew [NAME] from [another body I worked on] and he encouraged me to apply."

(non-executive NDPB board member, retired, previously public sector, female, No. 1)

"I got onto the board [...] through work on a [business] which my husband and I ran."

(non-executive NDPB board member, retired, previously self-employed, female, No. 2)

"It was also I was in that stage of my career where I was broadening my experience and trying to learn from other businesses, other industries, other senior managers"

(non-executive NDPB board member, currently executive director private sector, male, No. 15)

Furthermore, regardless of individual interests, the length of board appointments and the cyclical manner in which board members are replaced means that board vacancies in particular subject areas, such as the environment or the arts, are relatively infrequent. In this context six interview participants observed that they had either been waiting for their preferred NDPB to advertise vacancies or they had applied for NDPB appointments that were of interest as and when the opportunities arose. Two in particular also commented on the fact that they had applied for a number of appointments before being selected to their current board.

Of the six interview participants who have prior experience as a NDPB board member, four made specific observations with regard to their perception of how NDPB boards had evolved since the introduction of OCPA. In particular, these individuals commented on the positive benefits they had experienced as a result of appointments being made on the basis of merit and NDPB need. One very experienced NDPB non-executive board member summed up this point as follows:

"... they are more appointing people who really will drive things forward, challenge, take ownership whereas when I first started there was a tendency just to say, "Yes" or to let things be nodded through."

(non-executive NDPB board member, retired,
previously public sector, female, No. 1)

6.5 Research Question 4: Does the relationship between a NDPB board and its Minister influence the board's other stakeholder relationships?

The findings show that the relationship between a NDPB board and its Minister has a moderating influence over the board's relationships with other stakeholders because board members use their stakeholder relationships with their Accountable Officer, sponsor department and the media to leverage ministerial confidence in their ability.

Firstly, the relationship between the non-executive members of a NDPB board and its Accountable Officer is shown to take place within an environment of constructive

tension facilitated by the inherent formal and informal power differentials that exists between the two parties. Indeed, the findings show that despite the disparity between the NDPB board's ability to appoint a Chief Executive but not to remove their designated Accountable Officer status indicated in section 3.3.2, unprompted comments by three board members indicate they do not question their ability to remove a Chief Executive from their post if required. A further four participants indicated that they had experienced situations where they detached themselves from the Accountable Officer to leverage influence with the Minister. For example, one non-executive commented that:

"I always think that the [executive] team can maybe get so far and then they need to bring in the bigger guns that actually say, 'Well, no, this is what needs to be done' and there have been a couple of occasions where we have had to write to the Minister or the civil servants and say, 'No', whereas the executive team just didn't seem to be making any headway."

**(non-executive NDPB board member,
currently executive director not-for-profit sector, female, No. 16)**

The findings also indicate that board members use their hierarchical authority to exert control over the Accountable Officer, particularly in cases of underperformance. In the formal environment of the board meeting, participants commented that the Accountable Officer must defer to the chairman's decision, as is the case with the non-executive board members. In this context, the chairman uses their hierarchical authority to exert control over the Accountable Officer. In all but one of the NDPBs represented by these research participants, the Accountable Officer was the only executive member of a NDPB board. In the exception, two executive directors had been formally appointed to the board as part of their formal employment contract. The data indicates a consensus amongst interview participants that the Accountable Officer and a NDPB board work as a cohesive unit within the context of a NDPB board but that the Accountable Officer attends the board with dual responsibilities, namely their board responsibilities and their operational responsibilities.

Interview participants indicated that they take care not to overstep the metaphorical line and become too involved in the day-to-day running of the organisation. Six interview participants indicated that mutual respect keeps this line between non-executive and executive responsibilities clear whereas eight others indicated that it was their own view of their role and external responsibilities that kept them from overstepping the line. Half of this latter group plus a further four non-executives did, however, make the point that they would step over the line to take control if they felt that the Accountable Officer was not prepared to make difficult decisions.

In their interaction with the Accountable Officer on operational performance matters, the majority of non-executives interviewed felt it was their responsibility to work with the Accountable Officer to achieve their performance targets because the performance of the NDPB was a reflection of a NDPB board as a whole and not just the Accountable Officer. One chairman indicated that, in his current role, he felt it was his responsibility to use his knowledge and experience to challenge and motivate his Accountable Officer but also to protect him:

"I have a strong belief that it is partly my job to make sure that he doesn't get caught out and doesn't have to suffer the ravages and embarrassments of Audit Scotland or whatever. So he signs up and he is the one who signs the certificate saying he has complied with every rule known to me, most of the page he probably doesn't understand because it is accountancy speak, I think my job is to help him and protect him."

(non-executive chairman, retired, previously private sector executive director, male, No. 19)

Secondly, the relationship between the non-executive members of a NDPB board and the civil servants in the sponsor department is shown to be proactively managed by board members. Nine of the interview participants made unprompted comments as to the importance of the relationships between the civil servants and a NDPB board and Accountable Officer due to the civil servants' position in close proximity to the Minister. One interview participant in particular laughed when asked how these

relationships worked and said civil servants:

"are the arms and legs and ears and, in many cases, mouths of the Ministers so 95% of the communication, perhaps even more, of the communication between the centre and the NDPB, comes via the officials in the sponsor department."

(non-executive NDPB chairman, portfolio, previously private sector director, male, No. 23)

Another non-executive director, whose executive career was based within the public sector, added a further dimension to this metaphorical description in his reference to the:

"... the sponsor department, which acts as a nervous system for the Minister and is sometimes much more twitchy than the Minister actually would be."

(non-executive NDPB board member, retired, previously not-for-profit sector, male, No. 5)

Eight participants made unprompted reference to their experience of civil servants behaving as an information filter between the board and the Minister. One chairman, whose appointment is his first in the public sector, acknowledged that he found this an unusual environment in which to work:

"I'm not sure that the message always translates because I'll tell them something, they'll write a paper and give it to the Minister, but I don't see it, so I don't know what they've said."

"You've got to get used to these civil service people and they're a quite bright people -- quite bright, they're bright people but there is a bit of communication happening, which you don't see, which I am not used to."

(non-executive chairman, NDPB, retired, previously executive director private sector, male, No.4)

The data from 11 interview participants suggests that the nature of the relationships

differ considerably between boards, from those who feel that their board's relationship is mutually beneficial to those who indicated that their board rarely engaged with the representative. Of particular note, however, was the extent to which the relationship could change with a change in civil servant. One chairman summed up his experience as follows:

"... either in a week's time or two week's time, I'd get a note or an email saying, 'that's all sorted' or he'd come back at the next meeting, matters arising on the minutes, maybe a wee bit - and with a solution and it is done. When he left we never got that quality of service again and I found it very frustrating and so did the board. We found civil servants who were disinterested, who were doing their blackberries under the table."

**(non-executive NDPB chair, retired,
previously executive director public sector, male, No. 14)**

Representatives from six of the NDPBs commented on the presence of civil servants at board meetings on a relatively regular basis but their comments indicate that the level of interaction and participation of civil servants varies across the range of NDPB boards within the research sample. The majority indicate that civil servants are a predominantly silent presence on the board, who do "not in any way try to influence but will elaborate, elucidate various points if asked" (Participant No. 17).

In addition, by recounting an anecdote on this subject, one chairman provided an insight into his experience of how the relationship between the Minister and civil servants exerts an influence over the way in which he approaches his own relationship with the Minister. He commented that the communication between civil servants and Ministers is:

"... a system that is almost jealously guarded and I've just got to kind of go with it and I go with it and I say, 'Right, tell them ...' and I will never ever tell the minister something that I haven't told civil servants ever."

**(non-executive chairman, NDPB, retired,
previously executive director private sector, male, No.4)**

At the same time, however, he opined that the civil servants have a role that:

"... is more about guarding the Minister than me because they've got to watch, with these guys being so busy, that they don't say something that's not quite right, for example, we've got the Minister coming to the board meeting [...] and he is coming in January and they'll come with him and we'll joke and sometimes the Minister will agree something and they'll say, 'Well, what he actually meant, when he said "yes" he actually meant "no"!.' You get that, you know."

**(non-executive chairman, NDPB, retired,
previously executive director private sector, male, No.4)**

The findings also suggest that the sponsor department passively manage their relationships with NDPB boards when the government has confidence in their organisation. He recounted that his chairman at the time was struggling to assert their leadership on the board and commented that:

"... you know, people on the board really look to the civil servant for guidance or to lead things which I think is absolutely the wrong way and the wrong thing to happen so my sense is that they carry a greater weight than perhaps they should do."

**(non-executive NDPB board member,
self-employed executive, private sector, male, No. 20)**

In contrast, a non-executive board member from a NDPB where the chairman is held in high regard commented:

"The way it has worked with us, in the past, is that, they are invited to speak by the chairman and, you know, usually they are very happy to do that and will speak up but they don't intervene and say, 'No, no. I don't think it is a good idea!.'"

**(non-executive NDPB board member, portfolio,
previously executive director private sector, male, No. 28)**

Thirdly, the findings show that six of the NDPB boards represented adopt a strategic approach to the management of the media. Seven non-executive board members commented that they proactively sought to manage their relationship with the media to ensure that they do not unnecessarily become the subject of public scrutiny. For example,

"I think it more affects the way in which we try to do things and try to position things and seek to talk with the media much more."

**(non-executive NDPB board member, retired,
previously public sector, female, No. 1)**

Those who commented on the need to proactively involve the media were the five individuals whose experience is specifically in the area of marketing, public relations or communication. Moreover the data does not indicate that the size of NDPB has any influence over the extent to which NDPB board members are influenced by the media or public scrutiny. Instead, it indicates that the influence of public scrutiny and media attention is felt more strongly by those board members associated with NDPBs whose remit covers politically sensitive areas. Indeed, two individuals associated with a small NDPB proactively commented that their NDPB was historically significant but politically insignificant hence issues involving public sector scrutiny rarely came to light.

Nevertheless, the findings also show through unprompted responses that nine of the board members noted the consequences for their personal credibility and reputation arising out of the media scrutiny. One non-executive chairman in particular exposed his own sense of vulnerability arising from his vesting his interests in a NDPB board by saying:

"If we mess up, my name and reputation will be absolute mud."

**(non-executive NDPB chairman, portfolio,
previously private sector director, male, No. 23)**

The comments and observations made in relation to the strategic management of the

media reflect the findings that show how conscious board members are of being the subject of public scrutiny. When asked, 15 interview participants acknowledged that their actions were open to public scrutiny but all were quick to point out that its influence did not affect the output of the board. An experienced NDPB non-executive board member summed up her view by saying:

"It is just one of the burdens that you have to bear, that you know that people are not going to like that but I think that what you actually know, in your heart of hearts, is that whoever was sitting around this table, would come to that decision."

**(non-executive NDPB board member, retired,
previously private sector director, female, No. 8)**

Although these 15 interview participants felt the outcome of their decisions is not affected by public scrutiny, they placed considerable emphasis on ensuring that their board's decision-making process is transparent and there was consensus amongst this group that they "can't do anything that will cause any embarrassment or a problem or the Daily Mail or the Sunday Mail and so on to expose you" (Participant No. 10). Four individuals in this group also drew attention to the influence that the prospect of being subject to a Freedom of Information Act made over the way in which they approached their role.

6.6 Research Question 5: What influence does the hybrid team structure of a NDPB board have on the way in which board members communicate with each other?

The findings show that four particular characteristics of the NDPB board structure exert an influence over the way in which board members communicate with each other: board turnover, limited face-to-face contact, and reliance on email.

With regard to the influence of the NDPB board structure over the way in which board members communicate with each other, firstly, NDPB board members can lose up to 25% of their board members at one time due to the fixed length of board

appointments and restrictions on re-appointment. The possibility of such events occurring is supported by separate document analysis of public records relating to the appointment terms of NDPB board members. Information available through the National Public Bodies Directory provides the date that each appointment term ends (www.scotland.gov.uk/Topics/Government/public-bodies/about/Bodies, accessed 15 March 2011). The findings show that board members are influenced by such turnover because: a) the appearance of new board members introduces a new dynamic to board discussions as new members settle in and bring their expertise to the table; b) established board members respond to the "new set of disciples that you can impress" (Participant No. 4); and c) board tenure is determined by ministerial appointment rather than performance, prompting one chairman to observe " unless you commit or do something appalling or fall out then the chances are you'll do your three years and the chances are you get a second term" (Participant No. 19).

Secondly, although the activity of a NDPB board can be broadly categorised into seven main activities (board meetings, development activity, committee meetings, appraisal participation, formal teambuilding gatherings, informal gatherings and meeting preparation), the data suggests that board members adapt their behaviour to compensate for the limited degree of face-to-face contact that they have with each other. Despite the range of activities that bring board members together, interview participants stated that they are appointed to the board for an average of three days per month. Twelve commented that they spent at least double their contracted amount of time on board business during the course of the year due to involvement in various sub-committees, travel time involved or preparation time for various board meetings or projects. Not all of these board related activities involve time spent in face-to-face contact with their colleagues. Those who do spend more than their appointed time on board business also concede that they spend the time because they have the time available. In addition, in response to questions relating to the content and frequency of interaction between non-executive board members and their chairman, there was a consensus that such interactions do not fit into a rigid schedule and take place as and when appropriate. The exception to this general rule would be for the purposes of a performance review but these do not appear to happen with the

same frequency or consistency across all NDPBs. Indeed, five interview participants commented specifically on the difficulties arising from the concept of performance reviews at board level in terms of the lack of pragmatic performance indicators for the board, and the interpersonal challenges associated with "appraising professional peers" (Participant No. 14) due to the limited amount of time that board members spend in the presence of their colleagues.

Outwith formal board meetings, board members view their contact with their colleagues as an important source of information gathering as well as a means of teambuilding rather than specifically addressing issues related to the NDPB. The informal gatherings fall into two broad camps and involve elements of the board at any one point in time rather than the whole board. The first type is conversations taking place during the arrival and departure periods before and after board meetings, during which board members "catch up" with their colleagues over a cup of tea or coffee prior to the formal proceedings. These conversations are primarily concerned with information and opinion sharing on matters associated with the NDPB or the wider sector in which it operates. The second type of gathering is the impromptu meetings during the course of networking or business related events outside the formally scheduled meetings. These conversations are also primarily concerned with information sharing.

Against the backdrop of the limited time spent face-to-face with the executive team, nine interview participants intimated that they adjust their behaviour to fit the formal occasion of the board meeting. Two examples offered are particularly noteworthy. The first was provided by one experienced non-executive director who has held board appointments in the public and private sector. He indicated that:

"... you have to be more patient and [...] you do hear some utter rubbish and if it was a [young] company, I would just say, 'That's crap' but obviously if it is a big, established organisation, you can make your comments and then you just have to shut up."

**(non-executive NDPB board member, portfolio,
previously private sector director, male, No. 10)**

The second example is derived from the observations of four of the seven female non-executive board members interviewed, who made unprompted references to occasions when they would refrain from asking questions on subjects they did not understand completely so as to ensure that they "wouldn't expose not knowing" (Participant No. 16).

Thirdly, there is a reliance on email as the main mode of communication between board colleagues. Email is used as the primary method of circulating information to board members in between board meetings, with the exception of only one board whose chairman does not use email. It enables them to deal with their board responsibilities in their own time, which is scheduled to take into consideration a range of other outside interests. Any use of the phone on board related matters is driven by the urgency of a particular matter. For example, one non-executive board member recounted having received an email version of the board papers that did not include an explanatory report. At that point, he called the chairman to request that the relevant report be sent out in advance of the meeting (Participant No. 17). Nevertheless, four of the interview participants made unprompted comments as to their concerns over the use of email for anything other than circulating information. Their concerns were prompted by the anxiety of committing something to writing that might later become the subject of a Freedom of Information Act enquiry.

In addition to the findings that show that the structure of the board influences the way in which board members communicate with each other, the findings show that board members feel that the boards' position at arm's length from Ministers creates blurred lines of accountability and emphasises the paradoxical qualities of their role.

With regard to the influence that the boards' position at arm's length from Ministers has on board members' perceptions of accountability, four non-executive board members made unprompted comments that draw attention to the blurred lines of accountability that arise when the chair and Accountable Officer have a close working relationship and present their united view to the remainder of the board For

example, as one board member observed:

"... they are communicating to you and there is an accountability issue there because to whom is the Chairman then accountable because he is working with the Chief Executive."

**(non-executive NDPB board member, retired,
previously private sector director, female, No. 8)**

These blurred lines are also observed between a NDPB board and the Minister. One non-executive, new to a NDPB board arena, makes the observation that:

"So the classic one is: the Ministers say, 'We want you to do 10 things but there is only funding for five'. So somehow or other you have to square that away but you know damn well you can't square it away, there has to be a fudge - so who are you holding accountable exactly?"

**(non-executive NDPB board member,
executive director private sector, male, No. 18)**

There are parallels between the findings in relation to the blurred lines of accountability and the paradoxical qualities of the boards' role. In particular, the data indicates that interview participants articulated their efforts to maintain a balance between working as a cohesive board, which includes the Accountable Officer, and retaining their objectivity and independence of mind. The paradoxical nature of the board's position as an objective governance mechanism with its remit to represent the interests of the Minister was also identified. Seven of the non-executives interviewed indicated that they were either not aware or not interested in the specific interests of the Minister or that they did not consider that element of the role to be of primary importance given their priority of guarding the public purse. One chairman encapsulated this view in the following comment:

"It was a Minister who appointed me; it's the Minister who'd fire me. All that gives actually quite a lot of power. On the other hand, they and we recognise that a measure of independence is appropriate. I think it makes people uncomfortable, there's an ambiguity there that I think one just has

to deal with. If you get too purist about it, on either side, it just, it simply will not work. There is a balance."

**(non-executive NDPB chairman, portfolio,
previously private sector director, male, No. 23)**

Indeed, the most common characteristic shared amongst non-executives is their perception of their own independent-mindedness as well as their view that their independence of thought is critical to the effective functioning of the board. As one non-executive board member put it:

"... there is quite a feeling of independence about your role; you do feel like you are an independent non-executive director and there is no need for you to follow any herd on the board."

**(non-executive NDPB board member,
currently executive director private sector, male, No. 15)**

The findings also show that when questioned on their approach to balancing the part-time nature of their role and full-time nature of their responsibility, interview participants found it difficult to balance their desire to contribute fully with the limited amount of time they have in contact with the organisation. Eight (six non-executives and two executive directors) indicated their perception that the part-time nature of the board's role and the complexity of the issues facing the board exert an influence over the speed at which new appointees make a contribution. For example, two of the non-executives commented as follows:

"and I felt it took me you know a good few months before I felt comfortable enough, and sufficiently up to speed with some of the issues to make valid contributions."

**(non-executive NDPB board member,
self-employed executive, private sector, male, No. 20)**

"I mean it is very, very difficult when you just join a board and you'll get your board papers a week before the next board meeting and it will have, you know, a couple of projects there for approval. There might be some big numbers attached to it and you might not have a huge appreciation, if

any, of the background as to how that project got put together and also what competing uses that same amount of money might be able to contribute to."

(non-executive NDPB board member, portfolio, previously private sector director, male, No. 21

6.7 Limitations of the findings

It is acknowledged that the findings may be criticised for their reliance on the comments of a small number of individuals within the chosen group to substantiate the points being raised. In this regard, the limitations of the findings are acknowledged. With hindsight the volume of issues under discussion coupled with the limited time available when interviewing elite participants contributed to a reservoir of data that covers a breadth rather than a depth of issues. It is felt, however, that this factor should not undermine the relevance of these findings. Instead, the data collection method used maximised the quality of the data for the reasons identified by Miller (1991) in section 5.3.1. In particular, the use of one-to-one interviews allowed any points of misunderstanding to be clarified immediately, the element of personal interaction proved to gather supplementary information that might not otherwise have been gained, the use of semi-structured interviews allowed for a degree of comparison between interviewee responses to be presented, and sensitive subjects were broached and confidentiality concerns were addressed immediately.

Furthermore, in order to ensure the integrity of the data quality when transferring the audio data to written data in the form of transcripts, the use of NVivo as the primary analysis tool mitigated the criticisms traditionally directed at this form of data collection in three ways. Firstly, the software functionality ensured that the coded comments remain fully connected to the original transcript and fieldwork notes, ensuring that the context of the comment remains traceable as it reduces the risks associated with losing data and context as a result of collating data using the traditional pen and paper method. Secondly, the digital nature of the audio recordings also ensures that the original conversation can be played back easily to

minimise the risk of misinterpretation. Finally, the tabular structure of the NVivo coding hierarchy provides a comprehensive means of identifying the prevalent emergent themes from the data and assists in ensuring that the findings are not skewed by the inclusion of repetitive statements by individual participants.

It is also acknowledged that the findings presented are open to four main criticisms due to the data collection method used. Firstly, by choosing not to interview civil servants or Ministers, the findings may be challenged on the basis that they present a one-sided account of the nature of the relationship between a NDPB board and civil servants and Ministers. Nevertheless, this study did not set out to achieve anything to the contrary. Its intention from the outset was to conduct an exploratory piece of research that would help to shape a framework for future research in a woefully under-researched area of public sector activity. Through interviews, this research has been able to gain an insight into the heterogeneous nature of board member experiences and to highlight the broad spectrum of sector specific factors that influence the contemporaneous way in which a NDPB board functions as a group and interacts with government. Furthermore, as the findings indicated on numerous occasions, the internal and external environment in which a NDPB board operates is inherently political. The confidential one-to-one environment in which the interviews took place allowed individuals to speak freely of their experiences without risk of political fallout. It is therefore felt that an attempt to gather data either by focus group or by participant observation would not have been as successful in identifying the inherent influence that political and Political issues have over the way in which a NDPB board functions and interacts with government.

Secondly, by choosing not to study NDPB boards as groups, the findings in relation to how a NDPB board functions may be challenged on the basis that they rely on interviews with individuals from a range of NDPBs rather than individuals from one NDPB. However, as indicated in section 5.3.4, the boards of one large NDPB and one medium NDPB are represented by five and four board members respectively. The findings from these groups of board members have been compared and contrasted during the course of the chapter. Furthermore, given the hybrid team

structure that underpins a NDPB board, it is felt that the study of a NDPB board as a physical group would not have encapsulated the degree of detachment experienced by interview participants that was identified through the interview discussions.

Thirdly, the decision to focus on a small number of 'elites' (NDPB board members) may be challenged on the grounds that the findings do not provide sufficient evidence from which to make generalisations about how a NDPB board functions or interacts with government. However, it was never the intention of this research to make such generalisations. Instead, as an exploratory piece of research it set out to identify the range of sector specific factors that influence a NDPB board through its board members. Furthermore, there is a disparity between the profile of the research participants and the profile of the Scottish board member population, in particular, this group has a higher proportion of board members who have retired from an executive career than is present in the overall population of Scotland's NDPB board members. Although this did not appear to skew any patterns of response during the analysis of the vast majority of themes, it is acknowledged that it appears to have a strong bearing on the findings in relation to the time committed to board matters. Nevertheless, this disparity was acknowledged in section 5.3.4 when discussing this study's use of a convenience sample arising from a pre-established network of professional contacts. Finally, the findings from this research could be criticised due to the lack of triangulation that took place during the data collection process. Nevertheless, it accepts that "multi-methods are of no use with the 'wrong' question" (Jick, 1979 p609) and thus looks to future research to quantify the issues identified by this exploratory study.

Furthermore, the issue of interviewer credibility was discussed in section 5.3.4 in relation to the convenience sampling method selected and in section 5.3.6 in relation to establishing credibility with the interview participants. It is acknowledged, however, that during the course of analysing the data the author's own personal experiences may have influenced the presentation of the findings. In particular, the author is aware that professional curiosity prompted her interest in this research as she has questioned the extent to which the influence of NDPB boards is constrained

by their sector from the outset. In an attempt to mitigate the potential for this bias to skew the findings, the original coding process used NVivo's free coding facility. Having transferred the codes into coding categories, the selection of findings for presentation purposes was based on the number of NVivo sources (interview participants) attributed to each coding category. Thus, in presenting the findings, the key issues identified were determined by the volume of responses in each NVivo coding category rather than personal preference.

6.8 Chapter summary

This chapter has presented the findings relating to the five main research questions identified at the end of Chapter 4. It has offered an insight into the extent to which the relationship between a NDPB board and its Minister exerts a moderating influence over the role of the board and how it functions. It has achieved this by drawing attention to the findings that indicate the parameters of the strategic framework in which NDPB boards function, the influence of the political climate over the relationship between the two parties over time, the strategic approach that NDPB board members take towards managing their relationship with their Minister and other stakeholders, and the desire for intellectual stimulation and the opportunity to make a difference that drives NDPB boards to earn greater autonomy from government. The following chapter aims to discuss the implications of these findings for public sector board research and evaluate the validity of the findings. Chapter 8 concludes this thesis by outlining the contribution that the findings from this research make to the current field of board research and the wider areas of public sector governance and public sector management.

7. Discussion

7.1 Introduction

By adopting a stakeholder perspective of NDPB boards, Chapter 4 concluded by arguing that the relationship between a NDPB board and its Minister exerts a moderating effect over the role of a NDPB board and how it functions. As discussed in Chapter 5, due to the exploratory nature of this research, this thesis has concentrated on gathering data that provides an insight into this relationship from the perspective of the NDPB board. Having analysed the data gathered from a convenience sample of individuals associated with NDPB boards, the findings were presented in the previous chapter. This chapter aims to discuss the implications of these findings.

The chapter comprises three parts: the first part discusses the stakeholder characteristics of the relationship between a NDPB board and its Minister. The second part discusses the extent to which the relationship between a NDPB board and its Minister influences the role of the board and how it functions in the strategic decision-making processes of their organisation. To achieve this, it draws attention to board members' perceptions of the difference between their intended role on the board and the actual role they perform, assesses the influence of sector on the domain of decision problems delegated to NDPB boards, and discusses the moderating effect of the relationship on the dynamics of the board. The chapter concludes by discussing the extent to which the findings from this research contribute towards the overall aims of this thesis.

7.2 The characteristics of the relationship between a NDPB board and its Minister: A stakeholder perspective

By viewing a NDPB board as a stakeholder, Chapter 4 argued that the relationship between a NDPB board and its Minister has four distinctive characteristics: both parties enter into a formal relationship with each other, the power dynamic of the relationship is based on formal and informal sources of power, both parties manage their relationship with each other, and the relationship is subject to the influence of other stakeholders. This section aims to discuss the extent to which these characteristics offer an insight into the nature of the relationship between these two parties.

7.2.1 Both parties enter into a formal relationship with each other

The findings support the presence of a formal relationship between the chairman and the Minister, the terms of which are set out in the Management Statement and Financial Memorandum (Scottish Government, 2010a). Documentary evidence shows that the parameters of the framework in which a NDPB board operates are clearly agreed with the Minister. Even though only chairmen appear to receive a formal copy of the Management Statement and Financial Memorandum, the content of the document is of fundamental importance to all NDPB board members as it forms the basis of their induction onto their board.

In their study of the descriptive accuracy, instrumental power, and normative validity of stakeholder theory Donaldson and Preston (1995) discuss the fundamental principle that an organisation has an obligation to ensure that its stakeholder relationships are mutually beneficial. The findings support the presence of this characteristic in the relationship between a NDPB board and its Minister. Board members are shown to be motivated by the need for intellectual stimulation or the desire to make a difference. By participating on a NDPB board, board members benefit from the degree of debate, negotiation and strategic interplay that takes place.

The findings also show that board members feel that Ministers benefit from the collective expertise of NDPB boards and also take advantage of the boards' arm's length position during difficult negotiations or politically sensitive issues. These findings reflect the observation made by Mitchell *et al* (1997 p856) that in this stakeholder relationship, the Minister is not bound to the NDPB board by "necessity of reciprocal impact".

7.2.2 The power dynamic of the relationship draws from sources of formal and informal power

In considering the power dynamic of the relationship that exists between a NDPB board and its Minister, the findings show that Ministers draw from the three formal sources of power observed by Astley and Sachdeva (1984): hierarchical authority, resource control and network centrality. In contrast, board members draw from their informal sources of power, particularly their expert power, to exert an influence over the Minister during matters of strategic importance or to instil confidence in the board. The findings also show that board members have experienced the hierarchical authority of their Ministers in a range of strategic decisions, that the Minister's influence over financial resources establishes the financial parameters in which the NDPB board must function, and that the Minister's position of network centrality contributes to the determination of their priorities at any one point in time. These findings add an additional dimension to studies by scholars such as Alexander (1993), who examined the relationship between the board and Chief Executive in hospitals, because they put the relationship between the board and Chief Executive into context. Thus, although the findings support Alexander's findings in that the NDPB board exerts hierarchical authority over the Accountable Officer, these findings identify the limitations of their authority. In addition, the findings show that non-executive board members place on a good working relationship with the Accountable Officer, reflecting findings from private sector board studies by scholars such as Roberts and Stiles (Roberts, 2002, Roberts and Stiles, 1999). However, the findings also show that board members approach their relationship with their

Accountable Officer within the context of managing their relationship with the Minister. This is discussed in greater detail in the following section.

Although the inherently political nature of the NDPB environment is to be expected due to the political proximity of the NDPB, the findings distinguish between the presence of party politics that, for example, influence decisions in relation to the strategic direction of the NDPB, and the internal politics that appear to underpin the nature of a NDPB board's relationship with its Minister. These findings support Addicott's (2008) observation of the highly politicised context in which public sector boards operate. Her observations extend to comment on the complex and unclear purpose and accountability structure in which NDPB boards operate, which are also reflected in the findings from this research. Board members were shown to respond to the constraints of their relationship with their Minister by emphasising the tension felt between maintaining their independence of mind and succumbing to the influence of the Minister in order to maintain their position on the board. This suggests that board members may battle with their own conscience at times, as they seek to balance their own sense of integrity and accountability with the responsibility felt for the public accountability associated with their position. In particular, the presence of such tension offers an insight into the parameters of the social exchange that takes place between board members in their role as servants of the Crown and the Minister. It appears that board members may make a conscious decision between their personal sense of accountability and values, and the social status attached to their appointment when faced with a situation where they disagree with their Minister. As board members have no formal power to overturn ministerial decisions, their only option is to resign from the board if they disagree with the ministerial direction being taken.

These findings add a further dimension to current research into the power and influence of the board. As discussed in Chapter 3, the power dynamics of a board are intrinsically linked to the social processes that underpin how boards function. In the context of that point, reference was made to the work of Pettigrew and McNulty (1995 p845) who observed that the power and influence of board members is

"shaped by the simultaneous and interactive effects of a set of structural and contextual factors, position and skill in mobilizing a constellation of power sources, and skill and will in converting potential power into actual influence". This study supports their observations in relation to the influence of structural and contextual factors but offers further insights into the skill used by NDPB board members to convert power into actual influence. Pettigrew and McNulty's study focuses on power and influence in and around the boardroom and in doing so draws attention to the behaviours such as "tact and diplomacy, logical argument and persuasion, and respecting the people and norms of conduct on the board" (Pettigrew and McNulty, 1995 p867). Nevertheless, whereas their study focuses on how board members seek to exert power and influence over their board colleagues, this study finds that NDPB board members are much more strategic in their approach to exerting power and influence over the Minister because they recognise that their formal power is limited within their relationship and therefore they are reliant on leveraging the boards' sources of informal power to its full effect. These findings reflect the distinction between formal authority (the right to decide, the terms of which are set out in the Management Statement) and real authority (the effective control over the organisation, which is determined by Ministers during times of crisis or political sensitivity), as observed by Aghion and Tirole (1997). They also reflect the political nature of the environment in which NDPB boards operate, in particular, "what is at stake by definition is socially defined" (Antonacopoulou and Méric, 2005 p30). Most significantly, however, the findings draw attention to the tension that underpins the power dynamic between a NDPB board and its Minister as a result of its position at the nexus between political control and managerial autonomy (Yesilkagit, 2004), which in turn impacts on the "degree of autonomy possible [for a NDPB board] within a broader framework of political control of policy" (ibid., p119).

7.2.3 Both parties manage their relationship with each other

Section 4.3.1 discussed the formal nature of the relationship between a NDPB board and its Minister. The findings support the proposition that their relationship can be "unidirectional or bidirectional" (Mitchell *et al.*, 1997 p856). They provide an

insight into the dynamic and changeable nature of the relationship, particularly in the context of changing political priorities when the findings indicate that a Minister may choose to exert their hierarchical authority over the NDPB board in favour of an alternative direction. This trait was particularly apparent in the discussion of the role of the NDPB board in the intelligence gathering and strategic direction setting stages of the strategic decision-making.

The findings suggest that board members actively participate in the process of managing their relationship with their Minister to ensure that their relationship remains mutually beneficial. It appears that this process of managing the relationship takes place on two levels. The first level encapsulates the modifying behaviours exhibited by board members according to their environment, the issues under consideration, and their own sense of accountability and commitment to the organisation, which creates a foundation of trust and credibility from which the board can develop a sense internal cohesiveness and build its relationship with the Minister. This is discussed in greater detail in section 7.3.3.

The second level encapsulates the strategic approach adopted by the board in managing its interactions with external parties, in particular its interaction with the media. In contrast to extant research, where insights into board relationships with the media are scarce, the findings show that a number of the board members associated with higher profile NDPBs have become savvier in their dealings with the media on an ongoing basis. Thus, the board protects its own interests and also provides indirect reassurance to the Minister that the board can be trusted.

The vast majority of the interaction that takes place between a NDPB board and its Minister is found to be facilitated through the chairman. Board members consider a strong interpersonal relationship between the chairman and Minister to be of critical importance. Nevertheless, in contrast to extant research that examines the relationship between the chairman and chief executive, such as that of Roberts and Stiles (Roberts, 2002, Roberts and Stiles, 1999), insights of this nature within the context of public sector boards are scarce. Harrison (1998), for example, examined

boardroom practice for evidence of governance within District Health Authorities but his findings did not indicate the presence of an ongoing interaction or influence from Ministers or the sponsor department. The same is also apparent in the research carried out by Levacic (1995) and Farrell (2005) into board activity within the education sector. Each of these studies set out to gain an insight into the influence of the board on its environment rather than to gain an insight into the influence of the external environment on the board. In contrast, this research shows that board members associate a strong ministerial relationship with making a contribution to the NDPB on the basis that a strong relationship engenders the sense that the board is working in partnership with the Minister and allows the board to operate with some degree of autonomy. Furthermore, the findings show that the relationship between a board and its Minister is rooted in the concept of a social rather than an economic exchange, in that it "involves unspecified obligations, the fulfilment of which depends on trust because it cannot be enforced in the absence of a binding contract" (Blau, 1964 p113). NDPB board members view this social exchange as the product of a strategically developed relationship between the two parties, where the board attempts to mitigate their exposure to conflicting political priorities.

In addition, board members recognise that they too are being strategically managed by their Minister. This element of strategic interplay provides support for the concept of dynamic negotiations or exchanges highlighted by Antonacopoulou and Méric (2005) that take place in this stakeholder context. It is suggested that such insights are not as clearly articulated in the findings from previous research into public sector boards. Instead, work to date has mainly focused on boards within the health and education sectors, as discussed in Chapter 2, where, for example, Ferlie *et al* (1996a) sought to understand the impact of the NHS *Working for Patients* policy on the way boards define their role and modes of operation. They draw attention to the degree of interaction that takes place within the board and not the interaction between the board and its Minister.

7.2.4 The relationship is subject to the influence of external stakeholders

Chapter 4 drew from stakeholder theory to suggest that the relationship between a NDPB board and its Minister is subject to the influence of external stakeholders. Further examination of the nature of the relationship between the board and external stakeholders suggests that the role played by the board in its various interactions with stakeholders changes according to the context and motivation behind the interaction. Figure 14 illustrated the concept by suggesting that the board alters its character depending on whether it is fulfilling the role of principal, agent, stakeholder or steward. The findings provide support for their role as principal in their interaction with the executive team, particularly during the business planning process where board members felt that they delegated the practical elements of the business planning process to the executive team with the expectation that their directions would be followed. Support for the role of the board as an agent to their ministerial principal is also apparent, particularly in the context of ministerial decisions made irrespective of board member attempts to influence the outcome. The presence of principal-agent relationships between a board, its owners and the Chief Executive is the foundation for the majority of research into board activity. The discussion in Chapter 4, however, also proposed that interaction between stakeholders that takes place independently from the Minister takes place on the basis of a stakeholder-steward relationship. In this context, the findings indicate that during the course of their interaction with other stakeholders, board members are motivated by a sense of public duty that is embodied in their position as a servant of the Crown. This supports the findings of Antonacopoulou and Méric (2005), whose comments were noted in section 4.3.2 in relation to the influence of interdependent stakeholder relationships on the primary stakeholder relationship with the organisation. They proposed that "what is at stake by definition is socially defined and pursued both individually and in community depending on the degree of interdependence between one or more parties" (2005 p30). This sense of public duty is also reflected in the aforementioned findings that indicate that board members take on an ambassadorial role when interacting with other stakeholders, effectively acting as a steward in the context of steward when initiating interaction with other stakeholders, where a

steward is defined as "one whose interests align with his or her principal" (Albanese *et al.*, 1997 p609).

Although board members may undertake the role of a steward in their interaction with other stakeholders, the findings also indicate that board members only undertake this role if it does not compromise their own integrity or reputation. For example, as outlined in section 6.5, nine interview participants drew unprompted attention to the degree of importance that they place on their own integrity and reputation, indicating that these board members do not prioritise their board position over other aspects of their lives albeit that some board members appear to view their appointment as a reflection of their position in society. Notable by their absence are any references made by individuals to the social status that they attach to their position. However, it is clear from the findings that a number of individuals had their professional status reaffirmed through the encouragement that they received from their peers in making their application for a board appointment, the knowledge that their appointment has been based on merit since the introduction of the OCPA regulated appointments process, and the professional accolades associated with being part of a NDPB due to its national rather than regional remit.

Although there is support for the proposed model, the findings also indicate that the model needs to be amended to acknowledge that the Minister has a role of agent in its relationship with Parliament and that the Minister also takes on the role of steward in protecting the interests of its parliamentary principal when it exerts its authority over politically sensitive matters. Figure 27 illustrates this point by amending the original model presented in Figure 14.

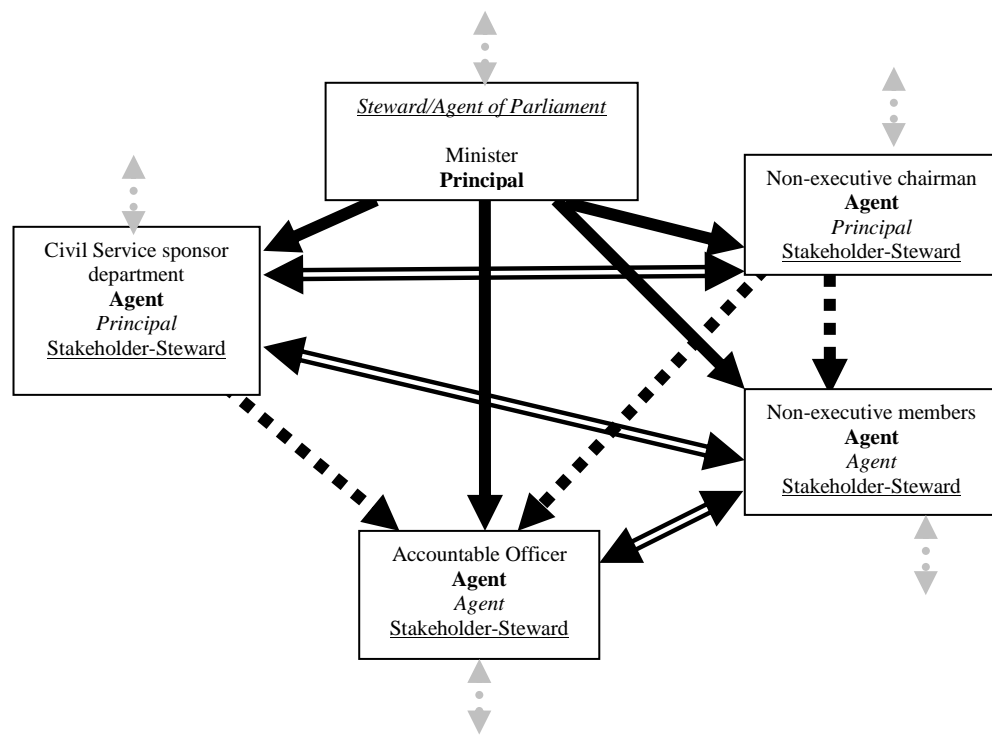


Figure 27: Figure 14 amended to take into consideration ministerial role as parliamentary steward

In addition, the findings draw attention to the range of financial motives that underpin these relationships. The findings draw attention to the importance placed by board members on securing government funding in order for their NDPB to achieve their goals, and the perception of board members that their appointment provides an efficient and comparatively inexpensive means of verifying that the Accountable Officer has behaved appropriately. In contrast, from a remuneration perspective, documentary evidence and interview data highlight that the vast majority of NDPB non-executives are either unpaid or paid a nominal sum for their services thus removing the implication that such relationships are underpinned by the personal financial motives of individual board members. Thus, although stewardship theory recognises a range of non-financial motives, the findings suggest that financial motives infiltrate the various relationships in some shape or form. Furthermore, despite the limited support for the proposed stakeholder-steward model, the findings also highlight the shortcomings of Hill and Jones's (1992) stakeholder-agent model. In particular, the findings highlight that the relationships are not

determined by contractual agreement, instead, they are a dynamic product of complex social and political interactions.

7.3 The influence of the relationship between a NDPB board and its Minister on the role of the board and how it functions

Chapter 4 concluded by presenting a conceptual model (reproduced below) to illustrate the influence of a NDPB board's relationship with its Minister on the role of a NDPB board and how it functions.

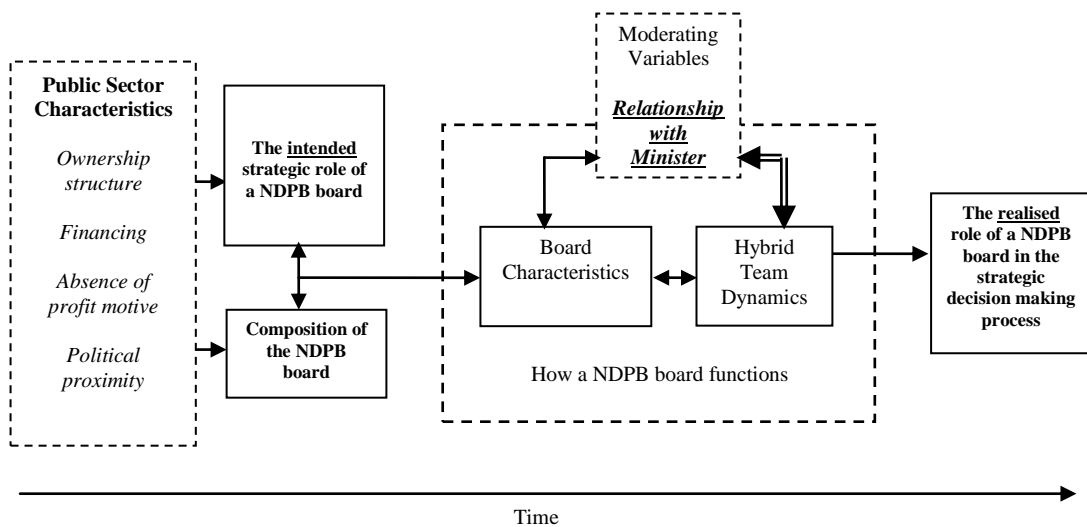


Figure 28: The influence of a NDPB board's relationship with its Minister on how a NDPB board functions

This model illustrates the argument put forward by this thesis that the relationship between a NDPB board and its Minister exerts a moderating effect on the actual role of the board and how it functions. The findings from this research show support for this model from three perspectives. Firstly, board members perceive there to be a difference between the intended role of the board and the actual role that they carry out. Secondly, the domain of decision problems delegated to a NDPB board is restricted by the ministerially determined strategic framework in which it operates, which creates an environment of bounded choice. Thirdly, board members strategically manage their relationship with their Minister with the intention of earning greater autonomy over the strategic direction of their NDPB.

7.3.1 Differences between the intended and realised roles of a board

In challenging the generalisability of research findings, section 2.4.1 drew attention to the difference between the intended and realised roles and proposed that any attempts to generalise between sectors may be distorted depending on whether findings are based on intended or actual board roles. The discussion drew attention to the work of scholars such as Brennan (2006), who argues that an expectations gap exists between boards of directors and firm performance, and McNulty and Pettigrew (1996) who use Lorsch and MacIver (1989) and Demb and Neubauer (1992) to highlight the differences between the intended and realised roles of the board. In addition to the differences observed in the priorities placed on the role by practitioners and academics by the above scholars, the findings from this research suggest that a proportion of board members may also manage an expectations gap between the role that they expected to be able to fulfil and the role that they actually fulfil. The previous chapter drew attention to Participant No. 10, for example, who vented his frustration at difficulties he encountered in trying to get anything done. It also referred to the comments of Participant No. 3, who drew attention to the difficulties his board faced in maintaining their focus on their non-executive responsibilities rather than becoming involved in operational decisions.

Figure 4 summarised the three main functions of the NDPB board as being: a) to represent the interests of the Minister; b) to provide active leadership of the public body; and c) to hold the Chief Executive (and senior staff) to account for the management of the organisation and the delivery of agreed plans on time and within budget. Having questioned interview participants as to their experiences in each of these areas, the findings indicate that board members do feel that they carry out each of the three intended main functions of the NDPB board. However, the findings also indicate that board members have different interpretations of their function in relation to representing the interests of the Minister and act accordingly. For example, those that believe they represent the interests of the taxpayer rather than the Minister concentrate on guarding the public purse whereas those that believe they represent the interests of the Minister by protecting the Minister from making

mistakes focus their energies on challenging the Minister and bringing issues of conflict to their attention. Furthermore, by adopting a stakeholder perspective of the NDPB board and focusing on the relational nature of organisational life, the findings also indicate that board members have carved a fourth dimension to their role, that of an ambassador for the NDPB. In this context, board members expressed their view that they acted as an ambassador for their NDPB during the course of their work outside the NDPB to ensure that they used all opportunities available to them to ensure that their NDPB was viewed favourably at ministerial level. In contrast to extant studies of public sector boards, these findings offer an insight into the role of NDPB boards in their capacity of representing the interests of Ministers. As discussed in section 2.4.3, current studies undertaken from an agency theory perspective have sought to focus on the role of the board as a governance and/or performance mechanism. Little is currently known about this aspect of the public sector boards' role.

In the context of the boards' function to provide active leadership to the public body, the findings suggest that the chairmen interviewed feel that they do provide leadership within the organisation but further examination of the transcripts suggests that the parameters of their leadership provision are restricted by budget and performance frameworks. In contrast to the findings of scholars such as McNulty and Pettigrew (1996), who refer to the work of Lorsch and MacIver (1989), and Demb and Neubauer (1992) to show the intended duties of the board as being “selecting, assessing, rewarding and if necessary, replacing the CEO; determining strategic direction; and assuring ethical and legal conduct” (McNulty and Pettigrew, 1996 p161), the findings from this research show that NDPB boards have limited involvement in these leadership responsibilities. The OCPA regulated recruitment process removes the board from the recruitment and selection process and places it in the hands of civil servants. The chairman of a NDPB board is permitted to attend the board member interviews but the final appointment is subject to ministerial approval. In addition, the strategic direction, as previously discussed, is determined at ministerial level. The NDPB board do, however, have responsibility for assuring the ethical and legal conduct of the board and NDPB.

Thirdly, the findings indicate that the intended role of the NDPB board as a mechanism to hold the Chief Executive and senior staff to account for the management of the organisation is one that is realised in situ. Indeed, the findings indicate that the process of monitoring the delivery of agreed plans on time and within budget takes up a considerable proportion of board meeting time, to the point that a number of board members indicated their desire to be able to step back from this aspect of their role to concentrate on more strategic matters. The findings also indicate, however, that the process of questioning, probing and challenging the executive team, which arises in the context of monitoring their performance, is one that is enjoyed by board members due to the intellectual stimulation that it engenders. These insights into the behaviours used by board members to monitor performance reflect those discussed by scholars such as Ferlie *et al* (1996a) and Harrison (1998), who examined the effectiveness of public sector boards as governance mechanisms.

7.3.2 Sector influence on the domain of decision problems delegated to a NDPB board

Through its discussion of the role of a NDPB board in the strategic decision-making process of its NDPB, Chapter 4 proposed that two separate but interrelated strategic decision-making processes take place within the context of a NDPB - one at ministerial level, the other at organisational level - and that the NDPB board is involved in both processes. The findings show that board members recognise that the strategic direction of their NDPB is determined at ministerial level and that a separate strategic decision-making process happens at operational level through the business planning process. These findings reflect the observations of Shrivastava and Grant (1985), who draw on the work of March and Simon (1958) and Mintzberg *et al* (1976) to observe that decision-making occurs at multiple levels in the organisational hierarchy. This manifests itself in the Management Statement and Financial Memorandum agreed by the Minister, which outlines the intended strategic

direction of the NDPB and provides the framework within which the NDPB board must operate.

Although the findings demonstrate that a NDPB board is involved in the strategic decision-making process at ministerial and organisational level, the findings indicate that the NDPB boards do not determine the parameters of either process. Instead, the domain of decision problems delegated to the board is determined by the ministerial decision-making process and constrained by the capabilities of the NDPB organisational framework. Furthermore, NDPB board members do not appear to be involved in each and every stage of the process either at ministerial level or at organisational level. At ministerial level where national policy is determined, the findings suggest that the NDPB board has a greater role in the stages of direction setting, uncovering alternatives and implementation than it does during the stages of intelligence gathering and selecting a course of action. In contrast, at organisational level, the findings show that the strategic direction has been established at ministerial level, indicating that the NDPB board has a greater role in uncovering alternatives and selecting a course of action than it does in intelligence gathering, direction setting or implementation. NDPB board involvement in each stage of the process and at each level is illustrated in Figure 29.

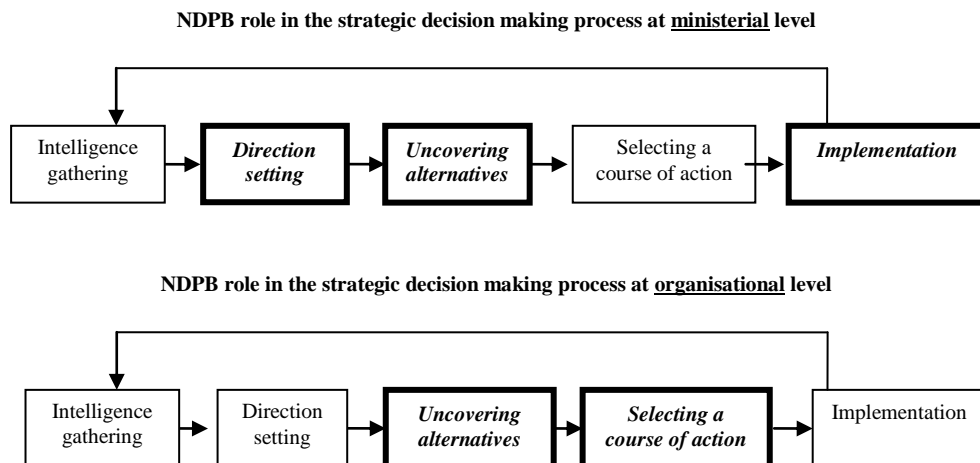


Figure 29: Comparison of the role of the NDPB board in the strategic decision-making process stages at ministerial level and organisational level

At ministerial level, the findings indicate that a NDPB board has a role in the intelligence gathering process. However, the findings show that NDPB board members are used as a source of intelligence having been hired for specific skills and experience. This view is based on the findings that highlight the degree of knowledge, expertise and experience that board members indicated that they feel underpins their meritocratic appointment and their view that the intelligence that they offer is at the disposal of Ministers. With regard to their role in the direction setting stage, which was defined in Figure 17 as “signals calling for action are classified, weighed, and interpreted to provide direction” (Nutt, 1992 p19), the findings indicate that the NDPB board appears to fulfil an important role as a signal provider in this context in that they use their position of close proximity to the organisation to draw urgent issues to the attention of the Minister. However, the findings suggest that the board are not party to the process of classifying, weighing and interpreting their calls to action in the context of the wider ministerial portfolio.

The NDPB boards' role is however a vital part of the intelligence gathering process used by Ministers and government. The non-executive board members have a self-imposed sense of responsibility for challenging and questioning the Minister on issues that are pertinent to their NDPB despite also recognising that the issues that they raise may not be addressed. This provides further support for the findings that indicate that a NDPB board has a vested interest in the outcome of the selected course of action albeit that the board members recognise that they are not the final decision-maker in the process. The findings also support the view that the implementation stage of the ministerial decision-making process is the business planning process that takes place at operational level as board members recognise that their role is one of implementing national policy.

Current research by academics and practitioners into the strategic role of a board debates whether boards should play an active or a passive strategic role in their organisation (Pugliese *et al.*, 2009). The findings from this research suggest that Ministers determine the level of NDPB board involvement in setting the strategic

direction of the NDPB but that the degree of board involvement that takes place at operational business planning level is at the discretion of the board. Indeed, these findings support the view that the domain of decision problems delegated to a NDPB board is constrained by its public sector environment. For example, as discussed in section 2.4.1, academic insights in this area from scholars such as Lorsch and MacIver (1989) and Demb and Neubauer (1992) emphasise the board's role in determining the strategic direction. The findings from this thesis suggest that the NDPB board's role in this regard is not as definitive. Furthermore, research by the Institute of Directors and Keenan (2004) highlight the emphasis on setting the vision, mission and values as well as the strategy. In contrast, despite their belief that they are in a position to influence the values of the organisation, the mission and vision of a NDPB are firmly rooted in the Act from which it originates.

At organisational level, the findings highlight the extent to which non-executive board members are aware of the strategic framework in which they must operate. It appears that the NDPB boards' remit is established at ministerial level and the NDPB boards' role in implementing the national policy strategy comes to the fore in the direction setting stage of the organisational strategic decision-making process. In this regard, findings suggest that NDPB boards work in conjunction with the Accountable Officer to determine the direction of the organisation. They then play an important role in challenging and questioning the executive team during an iterative business planning process in order to uncover alternatives and ensure consensus is reached in relation to the course of action selected. At this level, the findings suggest that the NDPB boards' strategic role has a different emphasis to the findings indicated in relation to the strategic role of private sector boards. For example, as discussed in section 3.3.1, Pearce and Zahra (1991) examined the relative power of boards and chief executives. They undertook a study of board activity in 69 manufacturing and 70 service sector firms selected from the Fortune 500 Industrial and Fortune 500 Service lists and concluded that the strategic element of a board's role included determining the mission and vision of the organisation, an element that has not been identified in the course of this research into NDPB boards. Instead, the present findings indicate that a NDPB board's primary role is that of an

advisor and facilitator rather than a decision-maker as the strategic direction of the NDPB is determined at ministerial level.

By examining the role of the NDPB board in the NDPB strategic decision-making process, the findings from this research provide support for the proposition that the domain of decision problems delegated to a NDPB board is restricted in comparison with their counterparts in the private sector. Indeed, the findings show that the restricted domain of decision problems delegated to a NDPB board places the board in a position of bounded choice. The Management Statement and Financial Memorandum agreed between a Minister and chairman sets out the framework within which boards must operate. Thus despite the boards' ability to challenge, question and probe the executive team in pursuit of alternative strategic options, when selecting a course of action, the NDPB board has a finite number of options if it is to stay within the parameters of the Management Statement and the budgetary framework. For example, in contrast to private sector boards, options to diversify or generate additional revenue streams are restricted by the legislative foundations on which the NDPB is based and the financial constraints of public sector funding. This suggests that NDPB boards operate in an environment of bounded choice, discussions of which are scarce in current studies of public sector board activity. Instead, the cognitive model of decision-making develops the position that there are cognitive limits to the rational model (Eisenhardt and Zbaracki, 1992) and proposes the idea that strategic decision-making takes place on a continuum between rationality and 'bounded rationality', where the flow of information has a fundamental effect on the degree of rationality (Schwenk, 1988, Simon, 1957, 1991, van Ees *et al.*, 2009). The findings from this research suggest that NDPB boards' involvement in the strategic decision-making process varies along a continuum between bounded rationality and bounded choice. Bounded rationality considers decision-makers to apply their rationality having simplified the choices available (Simon, 1991). In contrast, bounded choice suggests that the choices have been simplified before the decision-makers apply their rationality. Thus, if board members are invited to contribute to the direction setting that takes place at ministerial level, their decision-making process takes place within the context of

bounded rationality. In contrast, when involved at operational business planning level, their decision-making process takes place in an environment of bounded choice.

Considerable work has been undertaken in an attempt to establish whether boards have any direct impact on their organisation's performance. The work of scholars such as Bhagat and Black (1999), which was discussed in section 3.3.1, is just one example of such work. The findings from this research indicate that non-executive board members do feel that their role has an affect on their NDPB despite the lack of any concrete evidence to support such a claim. Instead, the findings highlight that NDPB board members contribute to the performance of the executive team through the behaviours that they display when interacting with them. This is to be expected given that the role of a NDPB board is entirely cognitive in nature, as observed in section 7.3.2. In particular, the findings highlight the extent to which board members feel that they contribute to the performance of the Accountable Officer and their executive team through the "challenge", "questions" or "alternatives" that they offer during the course of carrying out their duties. Roberts *et al* (2005) attribute these behaviours to a board's role in ensuring that the executive team are held to account for their performance. Nevertheless, in seeking to attach a tangible value to their contribution or effect on the organisation, the findings reflect the observation from Forbes and Milliken (1999 p492) that the output of a board is "entirely cognitive in nature" and that "while they assume ultimate responsibility, [NDPB boards] have no ability to perform the actual work of their organizations" (Pointer and Ewell, 1995 p317) unless the chairman steps in as executive chairman in times of crisis.

7.3.3 The pursuit of earned autonomy

In contrast to Aghion and Tirole's (1997) observation that "formal authority (the right to decide) and real authority (the effective control over organisations) within organizations" are two different concepts, the findings from this research suggest that although the Minister retains real control over the direction of the NDPB, the relationship between the two parties evolves over time. In particular, as observed by

Yesilkagit (2004), the degree of autonomy possible for public agencies is determined by a wider framework of political control of policy and the "responsible minister is accountable to Parliament for the degree of independence which a NDPB enjoys" (Cabinet Office, 2006a p5). In contrast to the assumption that the degree of independence enjoyed by a NDPB is determined by ministerial discretion, the findings suggest that the degree of independence experienced is actually earned autonomy. As a stakeholder, a NDPB board does not have the power to negotiate with its Minister on an even playing field. Instead, the board have the opportunity to earn autonomy from their Minister. The findings support this observation and suggest that the degree of independence experienced by a NDPB board appears to vary along a continuum between heteronomy and autonomy. Those NDPBs with a consistent track record of performance and a good relationship between the chairman of the NDPB board and the Minister appear to experience a greater degree of independence than those NDPBs with a poor track record and/or a difficult relationship between the chairman of the NDPB board and the Minister. The findings also support the proposition that the variable nature of a NDPB's performance and the relationship between its chairman of the NDPB board and the Minister affect the degree of independence experienced by that NDPB board at any particular point in time. While the findings indicate that a NDPB board can earn greater autonomy, it can also lose its autonomy due to poor performance or difficulties encountered in the relationship. The model in Figure 30 attempts to illustrate this conceptually by plotting the degree of independence along one axis and time along the other.

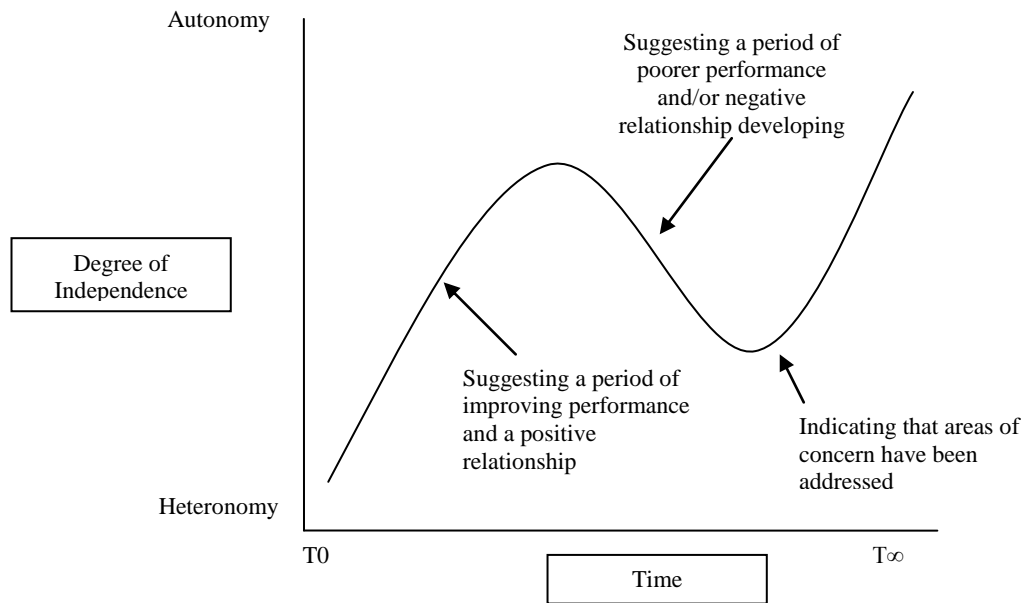


Figure 30: The relationship between the NDPB board and Minister: illustrating how the degree of independence can vary over time

Although the relationship between the NDPB board and Minister evolves over time, it is also subject to the impact of external forces, in particular, changes in political priorities or changes in personnel. In such cases, the findings suggest that the degree of independence afforded the NDPB board can be sharply retracted if the Minister considers the impact of the external factor to be of greater priority. For example, the findings indicate that a change in political priority can exert such an impact, causing the Minister to override NDPB board decisions. Such findings are reminiscent of the discussion pieces written by Flinders (2004) referred to in Chapter 2, and Yesilkagit (2004), both of whom observe that public bodies play a role in deflecting blame from government in the wake of politically sensitive events. Nevertheless, it is acknowledged that the data supporting this perspective is derived from confidential anecdotal evidence that such events have occurred in practice and have limited substantiated or objective value. The model in Figure 31 builds on the model in Figure 30 to illustrate the change in the degree of autonomy experienced by a NDPB board in the wake of a significant change in political priorities.

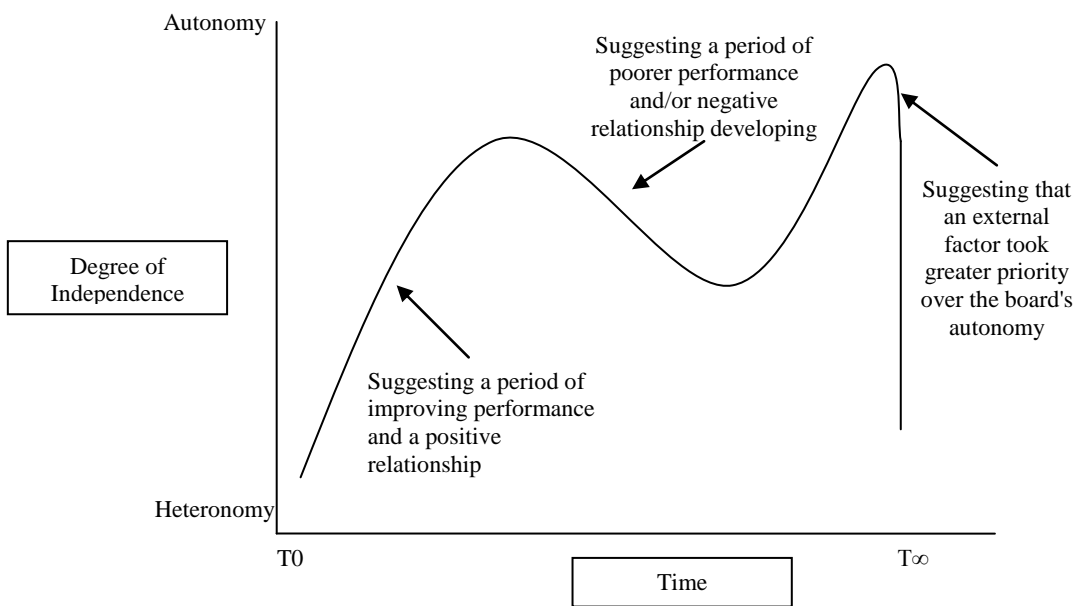


Figure 31: The relationship between the NDPB board and Minister: also illustrating the impact of external factors

The findings acknowledge, however, that ministerial priorities are not the only external factors to exert an influence over the role of the NDPB board in the decision-making process. In line with the work of Ring and Perry (1985), the findings indicate that factors such as policy ambiguity, openness of government, attentive publics, time and shaky coalitions exert an influence. Section 6.2.2 highlighted the ambiguity experienced by board members in relation to the paradoxical nature of their role that results from their formal appointment to represent the interests of the Minister at the same time as trying to balance their governance responsibilities. The findings also drew attention to the influence of public scrutiny and accountability, confirming that board members are moderated by their awareness that they are not in a position to do anything that is "novel, contentious or repercussive". Ring and Perry's observation that public servants "frequently must create internal coalitions to get policy passed, but these coalitions may and often do break up during implementation" (p281) is also supported. Indeed, section 6.3 observes that board members seek to manage their relationships to their advantage where they can, suggesting that relationships and coalitions are established for a purpose and discontinued when no longer of value.

7.3.4 The influence of the relationship on board dynamics

This section aims to discuss the moderating effect that the relationship between a NDPB board and its Minister has on the dynamics of the board. Section 3.3.3 highlighted the paradoxical nature of the hybrid team operating environment, as noted by Cousins *et al* (2007 p461) to feature "four sets of paradoxical frames in hybrid teams: remoteness–closeness, cultural uniformity–cultural diversity, rationality–emotionality, and control–empowerment". The findings support the contention that non-executive NDPB board members operate in a similar environment: a) remoteness due to their geographically spread locations, detachment from their colleagues outwith formal meetings and the asynchronous nature of their interactions with each other as well as the organisation yet closeness arising out of their sense of common purpose and vested interest in the organisation; b) cultural uniformity arising out of their shared interest and commitment to role as guardian of the public purse yet cultural diversity due to the extensive range of experience and expertise brought to the board by each non-executive; c) rationality due to the formal governance remit and responsibilities held by the board yet emotionality due to the subjective nature of the contribution offered by individual board members according to the issues under discussion and the context in which such issues are being discussed; and d) as discussed, the control element of the board's role that falls within their monitoring remit yet empowerment that is dependent on earned autonomy.

Nevertheless, the discussion in section 6.3.3 noted that the hybrid team structure is not defined purely by the paradoxical nature of its structure and remit. Reflecting Smith and Tushman's (2005) concept of paradoxical cognition, which refers to a technique recognised in hybrid teams as a way of managing the paradoxical elements of their role, the findings intimate that non-executive board members use cognitive frames in order to deal with the ambiguity in their role. Indications of such cognitive frames being present are apparent in the non-executive board members' general acceptance of the framework in which they operate, which brings with it a number of limitations, and the commonsensical approach described by non-executive board

members in tackling complex and seemingly paradoxical issues. Nevertheless, the findings are unable to fully substantiate Long *et al's* (2005) observation that the role of a board in the strategic decision-making process is “prejudiced by information asymmetry; executives are motivated by short-term results, and non-executives are unfamiliar with company operations and can only communicate through formal channels” (p670). The findings presented in section 6.3 indicate that board members use the information at their disposal strategically, particularly in their dealings with the media. In addition, the findings indicate consensus amongst board members that they are familiar with how their NDPB operates due to the organisational induction process that they attended when first appointed. As this research has focused on gaining an insight into board member experiences, there is no evidence to confirm or disprove the suggestion that executives are motivated by short-term results in this context. There is, however, a small amount of data to suggest that the flow of information to the NDPB board may be managed by the Minister through the sponsor department.

In its examination of how a NDPB board functions, the discussion in Chapter 4 discussed the influence of moderating variables on how a NDPB board functions, such as the size of the NDPB board, the lifecycle stage of the NDPB, the social processes inherent within the board and the variation in interpretations of public and personal accountability by individual board members. Overall, the findings in this regard are inconclusive due to the range of NDPB boards represented within the research group. For example, with regard to the size of the NDPB board as a moderating influence on how it functions, the findings show that the chairman of a small NDPB board believes that decisions are processed more quickly as a result of their small board size. However, the data also indicates that due to the nature of the organisation's remit, the chairman of one of the larger boards has ministerial backing to address a number of politically sensitive issues, which may have increased the perceived speed of the decision-making process.

In relation to the social processes that moderate the way in which NDPB boards function, board members are shown to view their relationships with their colleagues

as evolving over time as they get to know each other within the formal environment of the board and outwith the boardroom through teambuilding gatherings and professional networking. Nevertheless, the findings in this regard are also inconclusive as the data collection method used was not specifically designed to take into consideration the lifecycle stage of each NDPB board represented in the research group. The findings do, however, highlight the importance placed by board members on the nature of the relationship between the chairman and the Accountable Officer in ensuring that the board functions efficiently and effectively. These findings are reminiscent of Westphal's (1999) observation that a positive correlation exists between a strong chairman-chief executive relationship and a board that provides advice and counsel to the Chief Executive. It is acknowledged, however, that the data used in this research is directed towards an understanding of board member insights, hence, there is insufficient data from the perspective of Accountable Officers to substantiate the findings.

The findings offer an insight into the complex nature of accountability as a moderating variable by highlighting the variation in the way in which individuals interpret the concept in relation to their role. Bovens *et al* (2008), referred to in section 3.3.4, identify three dominant theoretical perspectives from which to consider how the concept of accountability may exert a moderating influence over how a NDPB board functions. As indicated in section 6.2.2, the majority of board members view accountability in terms of their role as 'a guardian of the public purse', an approach that is reminiscent of Bovens *et al*'s democratic perspective. Similarly, a number of board members indicated that they view their board's role in public accountability as one which allows the Minister to distance themselves from politically sensitive issues if required, an approach that appears to reflect elements of the constitutional perspective. Furthermore, as indicated in section 6.5, the findings also indicate that the prospect of public scrutiny and being held publicly accountable for the decisions of their boards does not affect the outcome of the decisions made by board members but it does influence the transparency of the process, an approach that reflects Bovens *et al*'s description of the learning perspective. These findings highlight that board member experiences represent an overlap between the

democratic and learning perspectives through their perceptions of the blurred lines of accountability that they encounter during the course of fulfilling their role.

The study found that board members perceive the relationship between the chairman and the Accountable Officer to be of fundamental importance as the majority of communication takes place through this channel. Although non-executive board members have the opportunity to connect with the Accountable Officer and executive team through their sub-committee work - in particular strong relationships are established between the Audit Committee and Finance Director - their ability to establish a strong connection is limited by the characteristics of their own position. On further examination, however, the detachment of the non-executives from the Accountable Officer on a day-to-day basis reduces their direct influence over the Accountable Officer suggesting that the weight of responsibility in this regard falls to the chairman. This creates a hierarchical dynamic within the board as non-executive board members are aware that the Accountable Officer's prioritises the chairman's requests over that of their own. In addition, the findings indicate that board members place the weight of responsibility for developing a relationship between the board and the Accountable Officer in the hands of the chairman. In seeking to exercise their power over the Accountable Officer and the executive team, board members draw from their expert power to identify flaws in technicalities or areas of non-compliance to fulfil their appointed remit, and they spend limited time with the Accountable Officer. In contrast to extant studies, which have focused on understanding the dynamic between the chairman and chief executive on a board, these findings offer an insight into the 'inner workings' of the board, as sought by scholars such as Brundin and Nordqvist (2008), Clarke (1998b), Petrovic (2008) and Roberts *et al* (2005).

The discussion of board dynamics drew attention to the four dominant roles within the board: chairman, Accountable Officer, non-executive board members and executive board members. In this context, the findings indicate support for the suggestion put forward in section 3.3.3 that an internal hierarchy amongst board members emerges within the board and underpins the dynamic nature of their

interaction. Although the findings support the presence of a hierarchy that results from hierarchical status within the organisation, they also highlight that board members adapt their behaviour according to context. Within their group, board members defer to their perception of the expert power hierarchy that exists within their board. Insights in this regard are apparent through the findings that draw attention to the mutual respect felt amongst board members for the experience and expertise of their colleagues on the board. In addition, board members come to the fore of their own volition on matters within their own spectrum of expertise and defer to their colleagues on matters felt to be outwith their area. The findings suggest that this perceived hierarchy of expert power is a dynamic concept as the deference to the hierarchy appears to happen formally and informally. Formal deference appears to be that directed towards members of sub-committees due to the perception that they have been appointed to the sub-committee on merit, and their close proximity to the issues under discussion due to the level of information processed by the committee. Informal deference appears to be the result of individual non-executives' perceptions of their colleagues knowledge and expertise in comparison to their own. Those who perceive their colleagues to have greater knowledge or expertise make their opinion known but defer to the individuals perceived to have the greater knowledge.

Bettenhausen (1991) observed that each type of group exhibits its own characteristics and influences the context in which it interacts. The discussion in Chapter 3 drew attention to the sector specific aspects of the NDPB board's demographic construction that have been shaped by their public sector ownership structure, financing, absence of a profit motive and political proximity. Firstly, it highlighted the introduction of OCPA guidelines. Although an insight into the effectiveness of such guidelines is beyond the realms of this study, the findings suggest that there is consensus amongst board members that the change in recruitment practices has resulted in the appointment of board colleagues on the basis of merit rather than network centrality. Indeed, a number of board members intimated that they had been actively encouraged by people within their network to apply for their board position. However, the findings indicate that their use of such personal networks or

connections once in post is comparatively limited. Given the changes that have occurred in the way in which the public sector is governed and managed over the last 30 years, the anecdotes of a number of the most experienced non-executive board members interviewed reflect a much changed environment. Where some recounted that their first public sector board appointments were the result of invitation not selection, they acknowledged the difference that the OCPA regulated selection process had on their candidature especially having discovered that their application was no longer guaranteed an appointment. Nevertheless, it is acknowledged that the subjective nature of this particular data weakens the significance of its insights in this regard.

7.4 Achievement of research aims

This thesis set out to achieve two key aims: firstly, to challenge the generalisability of research findings between studies of public and private sector boards; and secondly, to gain an insight into the nature of the relationship between a NDPB board and its Minister, and the extent to which this relationship influences the role of the board and how it functions in a decision-making context.

In pursuit of the first aim of this research, Chapter 2 challenged the generalisability of findings from private sector board research in the context of public sector board studies, in particular the findings from studies based on agency theory frameworks that dominate the literature. Chapter 3 supported this position by discussing the extent to which the intended role and composition of NDPB boards are influenced by the ownership structure, financing, absence of profit motive and political proximity that fundamentally distinguish public sector organisations from their private sector counterparts. It also drew attention to the hybrid team structure that underpins the dynamics of NDPB boards. Hence, this thesis has argued that the sector specific nature of the NDPB boards' role and position at arm's length to Ministers has a direct bearing on the nature of the agency relationship that exists between a NDPB board and its Minister. In comparison to the agency relationship that exists between the shareholders and board of a private sector organisation, the domain of decision

problems delegated to a NDPB board is restricted by the ownership structure, financing, absence of profit motive, and political proximity of the public sector environment. This places NDPB boards in a position of bounded choice during the course of the NDPB strategic decision-making processes.

To gain an insight into the nature of the relationship between a NDPB board and its Minister, Chapter 4 turned to stakeholder theory due to the relational nature of the public sector environment that restricts the domain of decision problems delegated to a NDPB board. By drawing attention to the four dominant stakeholder characteristics of the relationship, the findings offer an insight into the power differential that exists between the two parties, in particular the behaviours and practices exhibited by board members in pursuit of earning greater autonomy from government. These insights offer a further dimension to extant findings derived from an agency theory perspective because they highlight the extent to which NDPB boards use their relationship with their Minister to fulfil their governance and performance management responsibilities.

Taking these factors into consideration, this research has achieved its aims within the context of the limitations discussed in section 6.7. It offers an alternative perspective from which to examine the activity of NDPB boards, one which takes into consideration the relational nature of the environment in which they operate and which does not confine its study of board activity or behaviour to the boardroom.

7.5 Chapter summary

This chapter set out to discuss the implications of the findings from this research. It has drawn attention to the stakeholder characteristics of the relationship between a NDPB board and its Minister and the influence that this has over the role of NDPB boards and how they function. In addition to the support that these findings offer to the extant studies of public sector board activity, by adopting a stakeholder perspective of NDPB boards the findings also offer three additional insights into public sector board behaviour. Firstly, it draws attention to the environment of

bounded choice in which NDPB boards must function during the strategic decision-making processes of their organisation. Secondly, it suggests that NDPB boards strategically manage their behaviour and activity to earn greater autonomy from government. Finally, it suggests that the dynamics that underpin NDPB board behaviour are influenced by the hybrid team structure of the board. The following chapter concludes this thesis by discussing the significance of these findings in the wider fields of board research, public sector governance and public sector management, and by offering an insight into areas for future research.

8. Conclusion

8.1 Introduction

Boards of NDPBs in the United Kingdom occupy a distinctive position at the nexus between political control and managerial autonomy in the public sector (Yesilkagit, 2004). As servants of the Crown, NDPB board members enjoy the privilege of status that is attached to their appointment and are rewarded for their services on the principles of social rather than economic exchange. Nevertheless, over the last 30 years public sector boards have been expected to drive the efficiency and effectiveness of NDPBs within a wider programme of public sector reform. In this environment, these boards are subject to intense public scrutiny from internal and external stakeholders.

Studies find that public sector boards are actively engaged in issues of governance and performance (for example, Ferlie *et al.*, 1996a, Harrison, 1998, Peck, 1993b, 1995). However, such findings are based on the assumption that the role of the board is shaped by contingent factors derived from the internal organisational environment. A central issue of this research is to examine the extent to which the role of a NDPB board and how it functions is shaped by contingent factors derived from its external environment, in particular the influence of its relationship with its Minister. The literature review has highlighted the scarcity of in-depth studies of board members' perceptions of their relationship with their Minister and Pye and Pettigrew (2005), Perry and Rainey (1988, Rainey *et al.*, 1976), and Nutt (2006, Nutt and Backoff, 1993) among others have advocated the need for sector specific research. This research has attempted to fill this gap and presents a model to illustrate the moderating influence of the relationship between a NDPB board and its Minister on the role of the board and how it functions.

This thesis's examination of how NDPB board members perceive their role and how they function finds that a board's relationship with its Minister has a moderating influence on a board's role within the NDPB strategic decision-making process and how it functions. The relationship places NDPB board members in a position of bounded choice during the NDPB's strategic decision-making process, it encourages NDPB board members to strategically manage their relationship with the Minister to earn greater autonomy over the strategic direction of their NDPB, and it creates an environment where NDPB boards function as a hybrid team. Thus, this chapter aims to conclude this research by evaluating the contribution that these findings make to the current field of board research, discussing the limitations of this research, and suggesting an agenda for future research.

8.2 The environment of bounded choice in which NDPB boards function

Over the last 30 years, public sector reform in the United Kingdom has been influenced by the management philosophy of New Public Management, which is based on "a single reform paradigm that is rooted in economics and market-based principles" (Wise, 2002 p555). This philosophy has inspired the introduction of private sector management practices into the public sector, including the regulated recruitment of non-elected non-executive board members whose appointments are based on merit rather than patronage. The role of public sector boards and how they function are central themes in debates on public sector management and public sector governance. In particular, their position at the nexus between political control and managerial autonomy (Yesilkagit, 2004) raises questions as to the boards' role in the process of democratic decision-making. It also challenges whether NDPB boards are effective mechanisms not only as a means of public sector governance but also for improving the efficiency of the delivery of public services. In seeking to gain an insight into the role of the public sector board as mechanisms of governance and performance, scholars have focused on examining the relationship between the board and the executive. However, by adopting a stakeholder perspective of NDPB boards, this thesis has highlighted the relational nature of the environment in which they

operate and it has drawn attention to the moderating influence that a board's relationship with its Minister has on its role and how it functions. It draws attention to the environment of bounded choice in which NDPB boards operate, where the domain of decision problems that falls within their remit is determined by the Minister and the range of options at their disposal is restricted by public sector budgets.

In addition, the strategic role of boards has attracted considerable attention in the field of private sector board research as scholars attempt to ascertain the extent to which boards make an active or a passive strategic contribution (Pugliese *et al.*, 2009). Those who support the view that boards have an important strategic role, such as McNulty, Roberts and Stiles, view the board as setting the parameters for the strategic discussions that take place through their establishment of the mission, vision and values of the organisation (Stiles and Taylor, 1996). Similar studies within the context of public sector boards are scarce as the majority of research has sought to gain an insight into how boards fulfil their intended role (for example, Farrell, 2005, Ferlie *et al.*, 1994, Levacic, 1995). The findings from this research show that in contrast to studies of private sector boards NDPB boards are not involved in setting the parameters for the strategic discussions that take place. Instead, these parameters are determined at policy level and set out in the Management Statement and Financial Memorandum agreed with each NDPB chairman. Although the NDPB board is in a position to influence policy by leveraging the expert power of its board members, the stakeholder characteristics of the relationship between the board and its Minister means that its ability to influence does not guarantee that it exerts any influence.

The findings show that the ministerially determined parameters of the strategic discussions that fall within the remit of the NDPB board place the board in a position of bounded choice during the strategic decision-making process. The cognitive model of decision-making develops the position that there are cognitive limits to the rational model (Eisenhardt and Zbaracki, 1992) and proposes the idea that strategic decision-making takes place on a continuum between rationality and 'bounded

rationality', where the flow of information has a fundamental effect on the degree of rationality (Schwenk, 1988, Simon, 1957, 1991, van Ees *et al.*, 2009). In this study, this idea is developed further to suggest that the NDPB board strategic decision-making processes take place on a continuum between bounded rationality and bounded choice. Bounded rationality considers decision-makers to apply their rationality having simplified the choices available. In contrast, bounded choice suggests that the choices have been simplified before the decision-makers apply their rationality. Although both force decision-makers to seek a satisfactory solution rather than an optimal solution, the data shows that the options available to a NDPB board are constrained by policy and budgetary parameters.

8.3 NDPB board pursuit of earned autonomy

The majority of board research studies have been undertaken from an agency theory perspective, which is based on the premise that "the primary role of boards is to monitor actions of agents (executives) to ensure their efficiency and to protect principals' ("owners") interests" (Zahra and Pearce, 1989 p293). This thesis has challenged the generalisability of findings from studies of private sector boards undertaken from this perspective as a means of informing public sector board research. The findings show support for the difficulty involved in making sweeping generalisations across sectors. As the previous section has indicated, NDPB boards operate within an environment of bounded choice. In agency relationship terms, this restricts the domain of decision problems delegated to a NDPB board by its Minister and changes the parameters of the relationship.

In contrast, this thesis has approached the study of NDPB boards from a stakeholder perspective, which takes into consideration the relational nature of the environment in which NDPB boards operate that ultimately shape ministerial policy and determine the parameters of the NDPB boards strategic discussions. The relational nature of the board environment has been discussed by scholars such as Roberts and Stiles (1999 p46) in the context of the chairman's relationship with the chief executive. These writers observe that a "virtuous circle of relationship building"

takes place because "it is not the roles that determine the outcomes of the relationship but rather the relative skills, experience and instincts of the individuals, and in particular the discipline that they bring to the conduct of their responsibilities" (p47). In contrast, by adopting a stakeholder perspective of NDPB boards this research shows the extent to which the board's relationship with the Accountable Officer is influenced by the board's relationship with its Minister, emphasising that boards are not closed groups but instead they are open systems subject to the influence of a broad range of external relationships.

Stakeholder theory has been described by some scholars to be a "popular heuristic for describing the management environment for years" but also criticised that "it has not attained full theoretical status" (Mitchell *et al.*, 1997 p853). Despite the theoretical limitations of this perspective, the findings from this research show that the relationship between a NDPB board and its Minister has four distinctive characteristics. Firstly, board members viewed the relationship between the chairman and the Minister to be of primary importance but they also recognised that the nature of the relationship is determined by the Minister. Secondly, the dynamics of the relationship between the two parties is fluid and varies from being unidirectional when the Minister asserts their position to bidirectional when the channels of communication between the two parties are open and working in partnership to resolve politically sensitive issues. Thirdly, the dynamics of the relationship are subject to the influence of external relationships as board members are aware that their involvement in decisions has direct and indirect political implications. Finally, board members continually seek to manage their relationship with their Minister in pursuit of earning greater autonomy from Ministers in relation to the strategic direction of their NDPB. By applying the stakeholder perspective framework to this study of NDPB boards this thesis did not set out to contribute to the theoretical development of stakeholder theory. Instead, it has used the framework to emphasise that NDPB boards occupy a position at the nexus between political control and managerial autonomy that is subject to the influence of numerous stakeholder influences. By showing support for the presence of stakeholder characteristics, the findings from this research have drawn attention to

the pursuit of earned autonomy that appears to underpin board member behaviour and prompt board members to strategically manage their relationship with their Minister.

Extant studies of board activity have sought to gain an insight into board behaviour to understand how board members carry out their duties. For example, in the context of private sector boards, Roberts *et al* (2005) suggest that accountability is achieved by a process of interaction between the board and executives that includes challenging, questioning, probing, discussing, testing, informing, debating, exploring and encouraging. In their study of school governing boards, Levacic (1995) draws attention to board members' use of practical and professional expertise as well as support, encouragement and guidance, as the methods used to ensure effective governance. Less understood, however, is why board members approach their tasks and relationships in such a manner (Petrovic, 2008, Pettigrew, 1992b, Pye and Pettigrew, 2005). Although the findings from this research confirm that board members adopt similar behaviours in the pursuit of effective governance, the findings also show that board members view effective governance as a means to an end. Effective governance is considered to nurture the degree of trust that exists between a board and its Minister, which in turn influences "the degree of independence which a NDPB enjoys" (Cabinet Office, 2006a p5). The findings show that board members proactively and strategically manage their interactions with their Minister so as to earn greater autonomy over the strategic direction of their NDPB. They do this by gradually by, for example, working with the Minister and sponsor department to build a relationship based on trust, and ensuring that they maintain a solid track record of performance. By increasing the degree of confidence that the Minister has in the board, the board earns greater involvement in the ministerial direction setting process and increases the parameters of the bounded choice environment that they must operate within at operational business planning level.

"Extant literature has typically viewed governance as a principal-agent problem between shareholders and management" (Hambrick *et al.*, 2008 p385). In contrast,

these findings suggest that the NDPB board's position in the relationship between the Minister and an Accountable Officer is not without its own agenda irrespective of the parameters of its role that are determined by the Management Statement. For example, section 2.4.3 quoted from Eisenhardt's (1989 p58) comprehensive review of agency theory to suggest that a board behaves as a governance mechanism in the mitigation of agency costs, which are summarised as follows:

"The first is the agency problem that arises when a) the desires or goals of the principal and agent conflict and b) it is difficult or expensive for the principal to verify that the agent has behaved appropriately. The second is the problem of risk sharing that arises when the principal and the agent may have different attitudes towards risk. The problem here is that the principal and the agent may prefer different actions because of the different risk preferences."

The findings from this study thus challenge the relevance of agency theory as a means of explaining or predicting the nature of the principal-agent relationship between the Minister and the Accountable Officer. In contrast to the independence traditionally associated with a board as a means of mitigating the possibility of the desires or goals of the principal and agent conflicting and in moderating the different risk preferences, this research suggests that a NDPB board may also be pursuing its own agenda by seeking to earn greater autonomy. In addition, by adopting an agency theory perspective to gain an insight into the role of the NDPB board, consideration is given to the individualistic, self-serving behaviours of the Accountable Officer but not to the potential presence of similar behaviours amongst the board. Section 3.2.1 drew attention to the position of NDPB board members as servants of the Crown and suggested that their relationship with their Minister is based on the principles of social rather than economic exchange due to the limited remuneration associated with their appointments. The findings indicate that in the absence of financial reward board members may view autonomy as the currency that they earn, lose or trade with Ministers.

8.4 The influence of the hybrid team structure on NDPB board dynamics

Section 3.3.3 discussed the influence of board dynamics on how a NDPB board functions. In contrast to extant studies of board dynamics, this thesis challenged the assumption that boards function as conventional groups on the basis that board members spend limited time in face-to-face contact and rely heavily on communications technology to receive pertinent information. Instead, it proposed that these characteristics are reminiscent of hybrid teams. Hybrid teams are characterised by the paradoxical nature of the environment in which they operate and the subsequent implications for how they function. Thus, "hybrid teams face unique challenges that require managers to address a variety of potential paradoxes" (Cousins *et al.*, 2007 p461). In particular, Cousins *et al* (*ibid.*, p461) identify "four sets of paradoxical frames in hybrid teams: remoteness–closeness, cultural uniformity–cultural diversity, rationality–emotionality, and control–empowerment". Although not designed specifically to encapsulate the dynamics of a hybrid team, the data collected in this study shows that the paradoxical elements of a NDPB board's role are reflected in the hybrid structure of the board's composition. The findings support the observations of Sundaramurthy and Lewis (2003 p397), outlined in section 3.3.3, who also agree with Demb and Neubauer (1992 p13-16) in that:

“Board members are expected to provide critical judgment on management performance—which requires an in-depth knowledge of, and intimacy with the affairs of the corporation—and at the same time to assure that this judgment is independent — which requires detachment and distance. [...] The working style of the board must build its collective strength: the board needs the trusting familiarity of a close-knit group, yet members must be independent personalities who can resist 'groupthink' and raise critical questions of colleagues.”

Given that the structure of NDPB boards is based on the private sector model it is not surprising that the findings reflect the work of Sundaramurthy and Lewis (2003) and Demb and Neubauer (1992), all of which took place in the private sector.

The discussion of the hybrid team structure also drew attention to the concurrent roles of the Accountable Officer as Chief Executive and member of the board. The findings show that NDPB boards facilitate the relationship between a Minister and an Accountable Officer through the advice and counsel that arises from the social exchange that takes place between the parties. They also show that the non-executive members of the NDPB board rely heavily on their expert power to exert authority over the Accountable Officer as they do not have the autonomy to make significant decisions that affect the Accountable Officer.

The use of power and influence in and around the boardroom has been studied extensively in the context of private sector boards (for example, the work of Anderson *et al.*, 2007, Golden and Zajac, 2001, McNulty and Pettigrew, 1996, Pettigrew and McNulty, 1995) but is less developed within the area of public sector board research (for example, Davenport and Leitch, 2005). Extant studies also have a tendency to focus on the power dynamics that exist between board members. In contrast, the findings from this study show that board members defer to the expert power hierarchy inherent within their board but that these internal power dynamics are also overridden by the common goal of influencing the relationship between the board and its Minister to earn greater autonomy.

8.5 Limitations of this research

By drawing attention to the distinctive nature of the relationship between a NDPB board and its Minister, the findings support the opening proposition that fundamental distinctions between industry sectors have had an extrinsic influence over the role and composition of the NDPB board. By adopting a stakeholder perspective of the NDPB board in relation to its Minister, the findings provide an alternative insight into the extent to which the relationship is managed by the NDPB board to ensure that the NDPB board retains an active role in the NDPB. The findings also draw attention to the heterogeneous nature of NDPB boards and of NDPB board members,

emphasising that the nature of the relationship between a board and its Minister varies across NDPBs and over time.

Of concern, however, is the extent to which the findings are considered valid due to the limitations of the data on which these findings are based. Using a convenience sample has enabled this piece of independent research to take place but in doing so, it has brought with it issues of representativeness, author bias and scale. It is acknowledged that the presence of a prior professional relationship between the author and the majority of interview participants may be considered to have exerted an undue element of bias over the findings. Furthermore, the data collected represents the perceptions of non-executive board members and does not take into consideration the perceptions of Ministers or civil servants in its discussion. It is argued, nevertheless, that this thesis stands by the credibility of the interview participants who participated in this study and the validity of the extensive experience of operating in a NDPB board environment that they possess. Given the lack of previous research in, and difficulties accessing, public sector boards of this kind, the aim of this research from the outset has been to conduct an exploratory study in order to inform further theoretical development. The resultant findings provide considerable food for thought and identify a comprehensive range of issues that need to be addressed for scholars to fully understand the role of NDPB boards and how they function.

This research does not make any unreserved claims with regard to the generalisability of the findings across other areas of the public sector. Indeed, it is aware that "rarely will students have enough well-selected in-depth interview respondents that their findings about subtle causal relationships involving multiple variables will be statistically generalisable to a large national population. For that one needs a survey" (Small, 2009 p12). Nevertheless, the validity of the data collected is firmly rooted in the extensive experience of interview participants who have operated at board level in a broad range of organisations within the public and private sector in Scotland and beyond. This suggests that the findings from this research can be generalised across NDPB boards in the United Kingdom as well as boards of organisations in the health

arena. Indeed, Chapter 2 drew attention to the overlap that exists between research into public sector board activity and research in the areas of public sector governance and public sector management. In the context of their position at the nexus between political control and managerial autonomy (Yesilkagit, 2004), these findings draw attention to the relational nature of the environment in which NDPB boards function. Boards of public sector organisations in the health arena in particular function in a similar environment due to the close relationship that exists between the boards of health bodies and their Minister. This suggests that, in addition to the findings in relation to the role of NHS boards in a governance capacity from scholars such as Ferlie *et al* (1996a), Harrison (1998) and Peck (1993a, b, 1995), the findings from this research may also offer an insight into the way in which NHS boards exert control over their Chief Executives by using their relationship with the Minister as leverage. In contrast, as Farrell's (2005) study of school governing bodies illustrates, boards of educational establishments in the United Kingdom are further removed from Ministers due to their position within a local government authority hence, the findings may offer limited additional insights in this regard.

To generalise the findings from this research across sectors would be misleading, however, the findings in relation to the hybrid team structure may be of value in developing a greater understanding of board dynamics across all industry sectors where a similar structure is in place. For example, boards of public limited companies are not subject to the same degree of influence or involvement with their shareholders that NDPB boards experience from their Minister. Nevertheless, the findings in relation to the suggestion that NDPB boards function on the basis of a hybrid team structure are relevant to the study of private sector boards on the basis that the public sector board structure is based on a private sector board model (Ferlie *et al.*, 1996a), as outlined in section 1.1. Hence, the findings from this research may be used to inform future studies of private sector board dynamics by taking into consideration the distinctive hybrid team structure that underpins their position within the organisation.

8.6 Agenda for future research

Due to the scarcity of prior research in this area, this study set out to explore the nature of the relationship between a NDPB board and its Minister, and to gain an insight into its influence over the role of the board and how it functions. It studied this relationship primarily through extensive field interviews with non-executive NDPB board members. Its approach has differed from extant research that has relied on secondary sources of data, such as that of Macleavy and Gay (2005) or based on large scale questionnaire studies such as that of Sheaff and West (1997). In addition, the majority of board research has taken place from an agency theory perspective (Durisin and Puzone, 2009) in its attempt to understand how boards function as governance mechanisms and improve organisational performance. In contrast, this research has adopted a stakeholder perspective of NDPB boards that has illustrated the relational nature of the environment in which it operates. This view is in line with greater calls for reconciliation between economic and organisational perspectives (Eisenhardt, 1989, Judge and Zeithaml, 1992). In particular, by applying the stakeholder framework to its study of NDPB boards, in section 4.3.4 it draws attention to the multiple roles of agent, principal, stakeholder and steward that NDPB boards fulfil according to the nature and context of their interactions with other stakeholders. Thus, the findings from this research concur with the criticisms of the agency theory perspective outlined in section 2.4.3, as it offers a very narrow view of NDPB board activity.

As indicated in section 2.2, research into public sector boards overlaps with research in the areas of public sector management and public sector governance. In this context, the findings from this exploratory study provide food for thought for future research in the following areas.

Firstly, the position of the NDPB board at the nexus between political control and managerial autonomy places boards in a position of bounded choice. Coupled with the restrictions placed on their autonomy by ministerial discretion, these findings fuel the debate as to whether NDPB board members occupy a position of leadership or

management within the public sector. Given that NDPB boards in their current form are the product of the New Public Management philosophy adopted by government in an attempt to modernise public services, board members are appointed on the basis of the skills and experience that they can offer to the organisation. The findings show that board members' expertise is primarily used to generate alternative solutions to organisational issues rather than to provide strategic direction or leadership to the organisation. This suggests that irrespective of their position at arm's length from Ministers, their role is more akin to one of senior management rather than leadership.

Secondly, Bourdeaux (2007 p369) draws attention to "the dilemma of how to infuse professional policy into democratic decision-making [that] is a central question in public administration". On the basis that they fulfil a role more akin to that of management, the findings suggest that NDPB boards do not pose a threat to democratic decision-making because the parameters of their domain of decision problems are determined by a democratically elected Minister.

Thirdly, as servants of the Crown, board members do not have the same employment contract terms and conditions as other civil service employees. Furthermore, the limited remuneration associated with their appointment places the emphasis of their relationship with the Minister on one of social rather than economic exchange. The extent to which this affects the psychological contract of NDPB board members therefore comes into question. As indicated in section 3.2.4, this subject is under-investigated in the context of board research.

Fourthly, the findings show that NDPB board members are motivated by the intellectual stimulation that their involvement at the nexus between political control and managerial autonomy offers. In particular, board members are motivated to achieve greater autonomy over the strategic direction of their NDPBs. In the context of public sector governance, however, these findings suggest that board members use their role as a governance mechanism to create a relationship with their Minister that is based on trust but that rewards the board with greater autonomy. This raises issues

in relation to the power differential that exists between the two parties, as well as the performance management and monitoring of NDPB boards, both of which require further investigation.

Fifthly, the findings indicate that the process of earning autonomy is one that takes place over time and is subject to the influence of external stakeholders and events. Further studies are needed to establish the length of time that the development of such a relationship takes, particularly given that board appointments are made on a fixed term basis, as this also has implications for the governance and performance management of board members.

Sixthly, as with the majority of board research, the findings of this research are limited by its reliance on a cross-sectional representation of NDPB board members. The importance of time and context emerge as significant factors in the development of the relationship between a NDPB board and its Minister. Hence future research that incorporates a longitudinal perspective would be in a more effective position to gain an insight into how the dynamics of the relationship evolve over time.

Finally, research also focused on gaining an insight into NDPB board members' perceptions of their relationship with their Minister. Future research that is in a position to include members of NDPB sponsor departments and Ministers of Parliament in its research group would provide further evidence of the basis on which the NDPB board seeks to earn greater autonomy. In addition, due to the use of a convenience sample, this research is based on the experience of board members from Executive NDPBs and Public Corporations. Further research is needed on boards of Advisory NDPBs and Tribunals to establish whether the findings presented in this model are applicable to these contexts. A comparison of the nature of the relationship between NDPB boards and their Ministers in the devolved nations of the United Kingdom would also be of significant interest in the context of devolved governance.

Overall, this topic area is under researched and as a result numerous opportunities for future research exist. Research in this area does, however, have to overcome a number of methodological hurdles. For example, researchers must overcome the methodological difficulties involved in collecting data that is rich enough to test the hybrid team dynamics element of the model need to be addressed. They must also generate theories and evidence at the same time as navigating the complex and political environment in which NDPB boards operate if they are to explore the power differentials between public sector boards and Ministers in greater detail.

8.7 Conclusion

This in-depth exploratory study of NDPB board members' perceptions of their role, how they function and their relationship with their Minister is an important contribution to board research. Despite the prolific growth in board research over the last 30 years and evidence to support the meritocratic basis on which Public Appointments are made, little is known about the activity of board members within the wider context of the public sector. The in-depth nature of this study, which is based on a relatively small group of interview participants and a qualitative approach, has provided an insight into the meritocratic basis on which NDPB boards feel that they can earn greater autonomy. As the degree of knowledge in this area increases, the practical implications of such earned autonomy amongst non-elected non-executive members of public boards in the areas of public sector governance and public sector management will emerge. In the meantime, as NDPB boards operate within a complex and highly politicised environment, they continue to be exposed to varying degrees of public scrutiny. In the current recession where public sector cuts dominate the media headlines, the pressure on board members to fulfil their role as autonomous guardians of the public purse has never been greater.

1. Appendix 1

MODEL MANAGEMENT STATEMENT / FINANCIAL MEMORANDUM FOR EXECUTIVE NDPBS

PART 1: INTRODUCTION

1. This management statement and associated financial memorandum (MS/FM) has been drawn up by the Scottish Government's [xxxx] Directorate (the sponsor Directorate) in consultation with [the NDPB]. The management statement sets out the broad framework within which the NDPB will operate while the financial memorandum sets out certain aspects of the financial framework in greater detail. The MS/FM does not convey any legal powers or responsibilities.
2. The MS/FM shall be reviewed and updated periodically by the sponsor Directorate, normally at least every 2-3 years.
3. The NDPB, or the sponsor Directorate, may propose amendments to the MS/FM at any time. Any such proposals by the NDPB shall be considered in the light of the Scottish Ministers' policy aims, operational factors and the track record of the NDPB itself. The guiding principle shall be that the extent of flexibility and freedom given to the NDPB shall reflect both the quality of its internal controls and its operational needs. The sponsor Directorate shall determine what changes, if any, are to be incorporated in the MS/FM. Legislative provisions shall take precedence over any part of the MS/FM.
4. The NDPB shall satisfy the conditions and requirements set out in the MS/FM, together with all relevant requirements in the Scottish Public Finance Manual (SPFM) and such other conditions as the Scottish Ministers / sponsor Directorate may from time to time impose. Any question regarding the interpretation of the MS/FM shall be determined by the Scottish Ministers / sponsor Directorate after consultation with the NDPB.
8. Copies of the MS/FM have been placed in the Scottish Parliament Reference Centre and published on the Scottish Government website. Copies shall also be made available on the NDPB's website and on request.

PART 2: MANAGEMENT STATEMENT

1. FUNCTIONS, DUTIES AND POWERS

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- 1.1 Founding legislation; status
 - 1.2 The functions, duties and powers of the NDPB
 - 1.3 Classification

2. AIM(S), OBJECTIVES AND TARGETS

- 2.1 Overall aim[s]
- 2.2 Objectives and key targets

3. RESPONSIBILITIES AND ACCOUNTABILITY

- 3.1 The Scottish Ministers
- 3.2 The Portfolio Accountable Officer
- 3.3 The sponsoring team in the in the sponsor Directorate
- 3.4 The Chairman of the NDPB
- 3.5 The NDPB's Board
- 3.6 The Chief Executive

4. PLANNING, BUDGETING AND CONTROL

- 4.1 The corporate plan
- 4.2 The business plan
- 4.3 Publication of plans
- 4.4 Reporting performance to the sponsor Directorate
- 4.5 Budgeting procedures
- 4.6 Internal Audit

5. EXTERNAL ACCOUNTABILITY

- 5.1 The annual report and accounts
- 5.2 External audit
- 5.3 VFM / 3E examinations

6. STAFF MANAGEMENT

1. FUNCTIONS, DUTIES AND POWERS

1.1 Founding legislation; status

1.1.1 The NDPB is established [under the relevant Act/Charter] [as a company limited by guarantees/shares]. The constitution of the NDPB is set out in Section [...] of the Act/Charter/Articles of Association. The NDPB does not carry out its functions on behalf of the Crown.

1.2 The functions, duties and powers of the NDPB

1.2.1 The Act/Charter/Articles of Association give(s) the NDPB the following:

functions: [.....]

duties: [.....]

powers: [.....]

1.3 Classification

1.3.1 For policy/administrative purposes the NDPB is classified as an executive non-departmental public body.

1.3.2 For national accounts purposes the NDPB is classified to the central government sector.

1.3.3 References to this NDPB include, where appropriate, all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and the NDPB.

2. AIM(S), OBJECTIVES AND TARGETS

2.1 Overall aim[s]

2.1.1. [Within the founding legislation/articles of association the] [The] Scottish Ministers have defined the overall aim[s] for the NDPB as follows:
[.....].

2.2 Objectives and key targets

2.2.1 The sponsor Directorate determines the NDPB's performance framework in the light of the Scottish Minister's wider strategic aim[s]. The NDPB's objectives and key targets shall be agreed within the NDPB's corporate planning process (Section 4 below).

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The Scottish Ministers

3.1.1 The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities and performance of the NDPB. Their responsibilities include:

- approving the NDPB's strategic objectives and the policy and performance framework within which the NDPB will operate (as set out in this management statement and associated financial memorandum (MS/FM));
 - keeping the Parliament informed about the NDPB's performance;
 - approving the resource budget and the associated grant in aid requirement to be paid to the NDPB, and securing the necessary Parliamentary approval;
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- carrying out responsibilities specified in the [founding legislation] [Charter] [Articles of Association] including appointments to the Board, approving the terms and conditions of Board members, appointment of the Chief Executive [where applicable], approval of terms and conditions of staff, and laying of the annual report and accounts before the Parliament.

3.2 The Portfolio Accountable Officer

3.2.1 The Director-General for [] is designated by the Principal Accountable Officer for the Scottish Administration as the Portfolio Accountable Officer for parts of the SG including the sponsor Directorate for the NDPB. The responsibilities of a Portfolio Accountable Officer are set out in detail in the Memorandum to Accountable Officers for Parts of the Scottish Administration - see Annex 1 of the section on Accountability in the Scottish Public Finance Manual (SPFM).

3.2.2 In particular the Portfolio Accountable Officer shall ensure that:

- the NDPB's strategic aim(s) and objectives support the Scottish Ministers' wider strategic aim[s];
- the financial and other management controls applied by the sponsor Directorate to the NDPB are appropriate and sufficient to safeguard public funds and for ensuring that the NDPB's compliance with those controls is effectively monitored ("public funds" include not only any funds provided to the NDPB by the Scottish Ministers but also any other funds falling within the stewardship of the NDPB, including gifts, bequests and donations);
- the internal controls applied by the NDPB conform to the requirements of regularity, propriety and good financial management;
- any funding provided to the NDPB is within the scope and the amount authorised by Budget Act.

3.3 The sponsoring team in the sponsor Directorate

3.3.1 Within the sponsor Directorate, [...] Team is the sponsoring team for the NDPB. The Team, in consultation as necessary with the Portfolio Accountable Officer, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of the NDPB, and the primary point of contact for the NDPB in dealing with the sponsor Directorate. The sponsoring team shall carry out its duties under a senior officer who shall have primary responsibility for overseeing the activities of the NDPB.

3.3.2 The sponsoring team shall advise the Scottish Ministers on:

- an appropriate framework of objectives and targets for the NDPB in the light of the Scottish Minister's wider strategic aim[s];
 - an appropriate budget for the NDPB in the light of the Scottish Minister's overall public expenditure priorities;
 - how well the NDPB is achieving its strategic objectives and whether it is delivering value for money.
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3.3.3 In support of the Portfolio Accountable Officer the sponsoring team shall:

on performance and risk management -

- monitor the NDPB's activities on a continuing basis through an adequate and timely flow of information from the NDPB on performance, budgeting, control and risk management, including early sight of the NDPB's Statement on Internal Control;
- address in a timely manner any significant problems arising in the NDPB, whether financial or otherwise, making such interventions in the affairs of the NDPB as is judged necessary;
- ensure that the activities of the NDPB and the risks associated with them are properly and appropriately taken into account in the Scottish Government's risk assessment and management systems;
- ensure that appointments to the Board are made timeously and in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland.

on communication with the NDPB -

- inform the NDPB of relevant Scottish Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to the NDPB as necessary;
- bring concerns about the activities of the NDPB to the attention of the full Board, and require explanations and assurances from the Board that appropriate action has been taken.

3.4 The Chairman of the NDPB

3.4.1 The Chairman is appointed as follows [identify here the appointing authority; state how long the appointment is for; and for those bodies which fall within the OCPA Code of Practice, state that the appointment is made in line with the Code of Practice issued by the Commissioner for Public Appointments].

3.4.2 The Chairman is responsible to the Scottish Ministers. The Chairman shall aim to ensure that the NDPB's policies and actions support the wider strategic policies of the Scottish Ministers; and that the NDPB's affairs are conducted with probity. The Chairman shares with other Board members the corporate responsibilities set out in paragraph 3.5.2, and in particular for ensuring that the NDPB fulfils the aim[s] and objectives set by the Scottish Ministers.

3.4.3 The Chairman has a particular leadership responsibility on the following matters:

- formulating the Board's strategy;
 - ensuring that the Board, in reaching decisions, takes proper account of guidance issued by the Scottish Ministers;
 - promoting the efficient and effective use of staff and other resources;
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- encouraging high standards of propriety and regularity;
 - representing the views of the Board to the general public.

3.4.4 The Chairman shall also:

- ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
- advise the Scottish Ministers of the needs of the NDPB when Board vacancies arise, with a view to ensuring a proper balance of professional and financial expertise;
- assess the performance of individual Board members on an annual basis.

3.4.5 The Chairman shall also ensure that, for those bodies which fall within the provisions of the Ethical Standards In Public Life etc (Scotland) Act 2000, Board Members are fully aware of the body's Code of Conduct approved by the Scottish Ministers. [For those bodies not covered by the provisions of the ethical standards framework: The Chairman shall ensure that members uphold the requirements of the Company's Act or the principles set out in the Nolan Report as regards ethical standards.]

3.4.6 Communications between the Board and the Scottish Ministers shall normally be through the Chairman. The Chairman shall ensure that the other Board members are kept informed of such communications.

3.5 The NDPB's Board

3.5.1 The Board Members are appointed as follows [set out method and terms if different from those described in paragraph 3.4.1 for the Chairman].

3.5.2 The Board has corporate responsibility for ensuring that the NDPB fulfils the aim[s] and objectives set by the Scottish Ministers and for promoting the efficient and effective use of staff and other resources by the NDPB in accordance with the principles of Best Value - see relevant section of the SPFM. To this end, and in pursuit of its wider corporate responsibilities, the Board shall:

- establish the overall strategic direction of the NDPB within the policy, planning and resources framework determined by the Scottish Ministers;
 - ensure that the Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of the NDPB or on the attainability of its targets, and determine the steps needed to deal with such changes;
 - ensure that any statutory or administrative requirements for the use of public funds (i.e. all funds falling within the stewardship of the NDPB) are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the sponsor Directorate, and in
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accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account relevant guidance issued by the Scottish Ministers;

- ensure that the Board receives and reviews regular financial information concerning the management of the NDPB; is informed in a timely manner about any concerns about the activities of the NDPB; and provides positive assurance to the sponsor Directorate that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including by setting up and using an independent audit committee - in accordance with the guidance on Audit Committees in the SPFM - to help the Board to address the key financial and other risks facing the NDPB. The Board is expected to assure itself on the effectiveness of the internal control and risk management systems.
- provide commitment and leadership in the development and promotion of Best Value principles throughout the organisation;
- *[where applicable]* appoint *[with the Scottish Ministers' approval]* a Chief Executive to the NDPB and, in consultation with the sponsor Directorate, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight both to the proper management and use of public monies and to the delivery of outcomes in line with Scottish Ministers' priorities.

3.5.3 Individual Board members shall act in accordance with their wider responsibility as Members of the Board - namely to:

- comply at all times with the Code of Conduct [paragraph 3.4.5 above] that is adopted by the NDPB and with the rules relating to the use of public funds, conflicts of interest and confidentiality;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Code of Conduct [or for those bodies not covered by the provisions of the Ethical Standards framework: the Board's rules on the acceptance of gifts and hospitality, and of business appointments];
- act in good faith and in the best interests of the NDPB.

3.6 The NDPB Accountable Officer

3.6.1 The Chief Executive [or equivalent] of the NDPB is designated as the NDPB's Accountable Officer by the Principal Accountable Officer for the Scottish Administration [in accordance with sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000.] [on a non-statutory basis.] *[Alternatively:]* The senior official of the NDPB carries responsibilities which effectively put him/her in the position of being the NDPB's Accountable Officer even though he/she is not formally designated as such.

3.6.2 The Accountable Officer of the NDPB is personally responsible for safeguarding the public funds (i.e. all funds falling within the stewardship of the NDPB) for which he/she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the NDPB. He/she should act in accordance with the terms of the MS/FM and within the terms of relevant guidance in the SPFM and other instructions and guidance issued by the Scottish Ministers. He/she must also act in accordance with the Memorandum to Accountable Officers for Other Public Bodies (Annex 2 of the section on Accountability in the SPFM).

3.6.3 The Accountable Officer has a duty to secure Best Value, which includes the concepts of good corporate governance, performance management and continuous improvement. Guidance to Accountable Officers on what their organisations should be able to demonstrate in fulfilment of the duties which make up a Best Value regime is included in the Best Value section of the SPFM.

3.6.4 As Accountable Officer the Chief Executive shall exercise the following specific responsibilities:

on planning, performance management and monitoring -

- establish the NDPB's corporate and business plans in the light of the Scottish Minister's wider strategic aim[s];
- establish a robust performance management framework which supports the achievement of the NDPB's aims and objectives as set out in the corporate and business plans; and which enables full performance reporting to the Board, the sponsor Directorate and the wider public;
- inform the sponsor Directorate of the NDPB's progress in helping to achieve the Scottish Minister's policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensure that timely forecasts and monitoring information on performance and finance are provided to the sponsor Directorate; that the sponsor Directorate is notified promptly if overspends / underspends are likely or if performance targets are at serious risk and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the sponsor Directorate in a timely fashion;

on advising the Board -

- advise the Board on the discharge of its responsibilities as set out in this document[, in the founding legislation] and in any other relevant instructions and guidance issued by the Scottish Ministers / sponsor Directorate;
 - advise the Board on the NDPB's performance compared with its aim[s] and objectives;
 - ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that standard
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financial appraisal techniques as set out in the Green Book are followed as far as this is appropriate and practical;

- take action as set out in section 5 of the Memorandum to Accountable Officers for Other Public Bodies if the Board, or its Chairman, is contemplating a course of action which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;

on managing risk and resources -

- ensure that a system of risk management is embedded in the organisation to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure that the funds made available to the NDPB [including any approved income or other receipts] are used for the purpose intended by the Parliament, and that such moneys, together with the NDPB's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by the NDPB, including effective measures against fraud and theft;
- maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective human resource management policies are maintained and that strategic human resource planning is related to the NDPB's objectives;

on accounting for the NDPB's activities -

- sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Scottish Ministers;
- sign a Statement of Accountable Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Statement on Internal Control regarding the NDPB's system of internal control, for inclusion in the annual report and accounts;
- ensure that an effective complaints procedure is in place [including, where applicable, reference to the Scottish Public Services Ombudsman] and made widely known;
- give evidence when summoned before Committees of the Scottish Parliament on the use and stewardship of public funds by the NDPB.

3.6.5 The Chief Executive may delegate the day-to-day administration of his/her Accountable Officer responsibilities to other employees in the NDPB. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document.

3.6.6 The Chief Executive is responsible for informing the Portfolio Accountable Officer about any complaints about the NDPB accepted by the Scottish Public Services Ombudsman for investigation, and about the NDPB's proposed response to any subsequent recommendations from the Ombudsman.

4. PLANNING, BUDGETING AND CONTROL

4.1 The corporate plan

4.1.1 Consistent with the timetable for public spending reviews the NDPB shall submit to the sponsor Directorate a draft of the NDPB's corporate plan covering the spending review period. The NDPB shall have agreed with the sponsor Directorate the issues to be addressed in the plan and the timetable for its preparation. The plan, or elements thereof, shall be updated between public spending reviews as and when considered necessary.

4.1.2 The plan shall reflect the NDPB's statutory duties and, within those duties, the priorities set from time to time by the Scottish Ministers.

4.1.3 The corporate plan shall set out:

- the NDPB's key objectives and associated key performance targets for the forward years, and its strategy for achieving those objectives;
- a review of the NDPB's performance in the preceding financial year [together with comparable outturns for the previous [2-5] years], and an estimate of performance in the current year;
- alternative scenarios to take account of factors which may significantly affect the execution of the plan but which cannot be accurately forecast;
- other matters as agreed between the sponsor Directorate and the NDPB.

4.1.4 The main elements of the plan - including the key performance targets - shall be agreed between the sponsor Directorate and the NDPB in the light of the sponsor Directorate's decisions on policy and resources taken in the context of the Scottish Ministers' wider public expenditure plans and decisions.

4.2 The business plan

4.2.1 The business plan for the year immediately ahead shall be consistent with the agreed corporate plan. The business plan shall be updated annually by the NDPB to include key targets and milestones for the forthcoming year and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the sponsor Directorate. (See also paragraph 1.3 of the financial memorandum.) A copy of the business plan shall be submitted to the sponsor Directorate for information (and comment where considered appropriate) prior to the beginning of the financial year in question.

4.3 Publication of plans

4.3.1 Subject to any commercial considerations the corporate and business plans shall be [published] [made available on the Internet]. [A summary version shall be made available to staff.]

4.4 Reporting performance to the sponsor Directorate

4.4.1 The NDPB shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its corporate and business plans.

4.4.2 The NDPB shall take the initiative in informing the sponsor Directorate of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives set out in the corporate or business plans.

4.4.3 The NDPB's performance in helping to deliver Ministers' policies, including the achievement of agreed key objectives, shall be reported to the sponsor Directorate on a [three-monthly] [regular] basis. Performance will be formally reviewed [twice yearly] [regularly] by the sponsor Directorate. The appropriate Cabinet Secretary / Scottish Minister shall meet the Board formally [each year] [regularly] to discuss the NDPB's performance, its current and future activities and any policy developments relevant to those activities.

4.4.4 The NDPB's performance against key targets shall be reported in the NDPB's annual report and accounts [see Section 5.1 below]. Other forms of reporting performance to the public should also be considered.

4.5 Budgeting procedures

4.5.1 The NDPB's budgeting procedures are set out in the associated financial memorandum.

4.6 Internal audit

4.6.1 The NDPB shall establish and maintain arrangements for internal audit in accordance with the Government Internal Audit Standards (GIAS). The NDPB shall consult the sponsor Directorate to ensure that the latter is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointment.

4.6.2 The NDPB shall set up an independent audit committee of its board in accordance with the guidance on Audit Committees in the SPFM

4.6.3 The NDPB shall arrange for periodic quality reviews of its internal audit in accordance with the GIAS. The sponsor Directorate shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, the

sponsor Directorate reserves a right of access to carry out / commission independent reviews of internal audit in the NDPB.

4.6.4 The Scottish Government's internal audit service shall also have a right of access to all documents prepared by the NDPB's internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including the NDPB's Head of Internal Audit's opinion on risk management, control and governance shall be forwarded without delay to the sponsoring team who shall consult the Scottish Government's Head of Internal Audit as appropriate.

4.6.5 In addition, the NDPB shall forward to the sponsor Directorate an annual report on fraud and theft suffered by the NDPB; notify any unusual or major incidents as soon as possible; and notify any changes to its internal audit's terms of reference, its audit committee's terms of reference or its Fraud Policy and Fraud Response Plan.

5. EXTERNAL ACCOUNTABILITY

5.1 The annual report and accounts

5.1.1 After the end of each financial year the NDPB shall publish an annual report of its activities together with its audited annual accounts. The report shall also cover the activities of any subsidiary or joint venture under the control of the NDPB.

5.1.2 The report and accounts shall comply, so far as appropriate, with the Government Financial Reporting Manual. The accounts shall be prepared in accordance with the [relevant statutes] [specific accounts direction] and other relevant guidance issued by the Scottish Ministers.

5.1.3 The report and accounts shall outline the NDPB's main activities and performance during the previous financial year and set out in summary form the NDPB's forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.

5.1.4 The report and accounts shall be submitted in draft to the sponsor Directorate for comment by [] and the final version shall be laid before the Parliament by the Scottish Ministers by [] in accordance, where applicable, with statutory requirements. *[For NDPBs which are audited by the AGS]* The accounts must not be laid before they have been formally sent by the Auditor General for Scotland to the Scottish Ministers and must not be published before they have been laid. The NDPB shall be responsible for the publication of the report and accounts, including on the NDPB's website.

5.2 External audit

5.2.1 *[For NDPBs which are audited by the AGS]* The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, the NDPBs' annual accounts and passes them to the Scottish Ministers who shall lay them before the Parliament, together

with the NDPBs annual report]. For the purpose of audit the AGS has a statutory right of access to documents and information held by relevant persons.

[For NDPBs which are not audited by the AGS] The NDPB's accounts are audited by auditors appointed by the Board. The NDPB shall submit the audited accounts to the Scottish Ministers, who shall lay them, together with the annual report, before the Parliament.

5.2.2 The NDPB shall instruct its auditors to send copies of all management letters (and correspondence relating to those letters) and responses to the sponsor Directorate.

5.3 VFM / 3E examinations

5.3.1 *[For NDPBs the accounts of which are required by statute to be audited by the AGS or bodies that are specified by Order under section 23 of the PFA Act]* The Public Finance and Accountability (Scotland) Act 2000 provides that the AGS may carry out examinations into the economy, efficiency and effectiveness with which the NDPB has used its resources in discharging its functions. For the purpose of these examinations the AGS has statutory access to documents and information held by relevant persons.

[For other NDPBs] The NDPB agrees that the AGS may carry out examinations into the economy, efficiency and effectiveness with which the NDPB has used its resources in discharging its functions.

5.3.2 In addition, the NDPB shall provide, in conditions to grants and contracts, for the AGS to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

6. STAFF MANAGEMENT

6.1. Within the arrangements approved by the Scottish Ministers or set out in the body's legislation, the NDPB shall have responsibility for the recruitment, retention and motivation of its staff. To this end the NDPB shall ensure that:

- the recruitment of its staff is based on fair and open competition and equal opportunities;
 - the level and structure of its staffing, including gradings and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
 - the performance of its staff at all levels is managed effectively and efficiently; they are satisfactorily appraised; and the NDPB's performance appraisal and promotion systems are reviewed from time to time;
 - its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the NDPB's objectives;
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- proper consultation with staff takes place on key issues affecting them;
 - adequate grievance and disciplinary procedures are in place;
 - whistleblowing procedures consistent with the Public Interest Disclosure Act are in place;
 - a code of conduct for staff is in place based on the document *Model Code for Staff of Executive Non-Departmental Public Bodies*.

PART 3: FINANCIAL MEMORANDUM

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APPENDIX: SPECIFIC LIMITS ON DELEGATED AUTHORITY

1. BUDGETING PROCEDURES

The Departmental Expenditure Limit (DEL)

1.1 The NDPB's resource and capital expenditure form part of the Scottish Government's "Resource DEL" and "Capital DEL" budget as allocated by HM Treasury.

Setting the annual budget

1.2 Each year, in the light of decisions by the Scottish Ministers on the NDPB's corporate plan (paragraph 4.1 of the management statement), the sponsor Directorate will send to the NDPB:

- a formal statement of the annual budgetary provision (disaggregated by main budget headings) allocated by the Scottish Ministers in the light of competing priorities across the Scottish Government and of the associated grant in aid and any approved forecast income; and
- a statement of any planned change in policies affecting the NDPB.

1.3 The NDPB's annual business plan will take account both of its approved budgetary provision and of any forecast income, and will include a budget of estimated payments and receipts together with a profile of expected expenditure / consumption of resources and of draw-down of grant in aid and other income over the year. These elements will form part of the business plan for the year in question (paragraph 4.2.1 of the management statement).

1.4 Grant in aid (cash) provided by the Scottish Ministers for the year in question will be included in the annual Budget Act and will be subject to approval by the Parliament.

Transfers of budgetary provision

1.5 All transfers of budgetary provision between resource and capital budgets and between "cash" and "non-cash" headings require the prior approval of the sponsor Directorate. Other transfers between main budget headings may be undertaken without the prior approval of the sponsor Directorate.

Budget overspends

1.6 The extent to which the NDPB exceeds agreed total resource and capital budgets shall normally be met by a corresponding reduction in the budget(s) for the following financial year.

End-year flexibility

1.7 In principle the Scottish Government's end-year flexibility (EYF) arrangements allow for unused DEL budgetary provision to be carried forward, in part or in full, from one financial year to the next. However, given the many competing demands for resources the availability of EYF should be regarded as highly exceptional. The NDPB should therefore manage its use of DEL budgetary provision accordingly. The NDPB must at the earliest opportunity submit to the sponsor Directorate any proposals for carrying forward budgetary provision.

Authority to spend

1.8 Once the NDPB's budget has been approved by the sponsor Directorate [and subject to any restrictions imposed by Statute/the Scottish Ministers/the management statement and associated financial memorandum (MS/FM)], the NDPB shall have authority to incur expenditure / consume resources without further reference to the sponsor Directorate, on the following conditions:

- the NDPB shall comply with the specific delegations set out in the attached Appendix. These delegations shall not be altered without the prior agreement of the sponsor Directorate;
 - the NDPB shall comply with the conditions set out in this financial memorandum regarding novel, contentious or repercussive proposals and with any relevant guidance in the Scottish Public Finance Manual (SPFM);
 - inclusion of any planned and approved expenditure in the NDPB's budget shall not remove the need to seek formal sponsor Directorate approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed; and
 - the NDPB shall provide the sponsor Directorate with such information about its operations, performance, individual projects or other expenditure as the sponsor Directorate may reasonably require.
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Impairment of assets

1.9 Assets will normally only impact on the resource budget through depreciation and the cost of capital charge or where there is a profit or loss on disposal, which would all score in the NDPB's resource DEL budget. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. Where an asset - and that includes investments - suffers an impairment it is important that the prospective impairment and background is communicated to the sponsor Directorate at the earliest possible point in the financial year to determine and agree the appropriate scoring for budgeting purposes.

Provisions

1.10 A provision is a liability of uncertain timing or amount. It should be recognised in the resource DEL budget for the NDPB when it has a present obligation (legal or constructive) as a result of a past event, when it is probable that a transfer of economic benefits will be required to settle this obligation, and when a reliable estimate can be made of the amount of the obligation. The timing of significant changes in provisions or the creation of a new provision should be agreed in advance by the sponsor Directorate.

Bad debt

1.12 Bad debt that is written off by the NDPB scores in its resource DEL budget. Write-off of bad debt is subject to the delegated limit set out in the attached Annex. Write-off above that limit is subject to the prior approval of the sponsor Directorate.

THE NDPB's INCOME

Grant in aid

2.1 Grant in aid will [normally] be paid to the NDPB in [monthly] instalments, on the basis of a written application from the NDPB showing evidence of need. The application shall provide the sponsor Directorate with, as a minimum, information, which will enable the satisfactory monitoring by the sponsor Directorate of:

- the NDPB's cash management;
- actual and forecast outturn of expenditure of grant in aid;
- actual and forecast outturn of expenditure / consumption of DEL budgetary provision by main budget headings.

2.2 Grant in aid should not be paid out in advance of need. Cash balances accumulated during the course of the year from grant in aid shall therefore be kept at the minimum level consistent with the efficient operation of the NDPB.

Borrowing

2.3 [If the NDPB has statutory authority:] Borrowing cannot be used to increase the NDPB's spending power. All borrowing by the NDPB - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the Borrowing, Lending & Investment section of the SPFM.

Maximising income from other sources

2.4 The NDPB shall seek to maximise income from other sources provided that this is consistent with the NDPB's main functions and its corporate plan as agreed by the Scottish Ministers. Proposals for new sources of income or methods of fundraising should be cleared with the sponsor Directorate.

Receipts from the EC

2.5 The NDPB should should seek funding from the EU as appropriate and ensure that the sponsor Directorate is informed. See the guidance in the EU Funding section of the SPFM.

Fees and charges

2.6 Fees or charges for any services supplied by the NDPB shall be determined in accordance with the Fees & Charges section of the SPFM.

Receipts from sale of goods or services

2.7 Receipts from the sale of goods and services, rent of land, and dividends may be recycled subject to them being included in the approved budget.

Interest earned

2.8 Interest earned by the NDPB on cash balances may be recycled subject to it being included in the approved budget.

Proceeds from disposal of assets

2.9 Disposals of land and buildings are dealt with in Section 7 below.

Gifts, bequests and donations

2.10 The NDPB is free to retain any gifts, bequests or similar donations. These shall be treated as receipts that, where appropriate, may be recycled subject to them being included in the approved budget. [NOTE: Donated assets do not attract a cost of capital charge, and a release from the donated assets reserve should offset depreciation in the operating cost statement.]

2.11 Before proceeding in this way the NDPB shall consider if there are any associated costs in doing so or any conflicts of interests arising. The NDPB shall

keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

Changes in in-year income

2.12 If income realised or expected to be realised in-year is **less** than estimated, the NDPB shall, unless otherwise agreed with the sponsor Directorate, ensure a corresponding reduction in its gross expenditure so that the authorised budget is not exceeded.

2.13 If income realised or expected to be realised in-year is **more** than estimated, the NDPB may apply to the sponsor Directorate to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant in aid. The sponsor Directorate shall consider such applications, taking account of competing demands for resources. If an application is refused grant in aid shall be correspondingly reduced.

3. THE NDPB's EXPENDITURE: GENERAL PRINCIPLES

Delegated authority

3.1 The NDPB shall not, without prior approval of the sponsor Directorate, enter into any undertaking to incur any expenditure, which falls outside the specific limits on the NDPB's delegated authority as set out in the attached Appendix.

Appraisal and evaluation

3.2 All expenditure proposals shall, so far as appropriate, be subject to the guidance in the Appraisal and Evaluation section of the SPFM.

Procurement

3.3 The NDPB's procurement policies shall reflect relevant guidance in the Procurement section of the SPFM. Procurement should be treated as a key component of achieving the NDPB's objectives, as well as a means of finding the most cost-effective method for securing the quality of assets and/or services. The NDPB shall also ensure that it complies with any relevant EU or other international procurement rules.

Competition

3.4 Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall. Proposals to let single-tender or restricted contracts above the relevant delegated limit in the attached Appendix must be submitted to the sponsor Directorate for approval.

Value for money

3.5 Procurement by the NDPB of works, equipment, goods and services shall be based on value for money, i.e. quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

Timeliness in paying bills

3.6 The NDPB shall pay all matured and properly authorised invoices in accordance with the guidance in the SPFM on [Expenditure and Payments](#). The NDPB is subject to the Scottish Government target for the payment of invoices within 10 working days of their receipt.

Novel, contentious or repercussive proposals

3.7 The NDPB shall obtain the approval of the sponsor Directorate before:

- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the sponsor Directorate;
- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

Risk Management

3.8 The NDPB shall ensure that the risks, which it faces, are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Risk Management section of the SPFM.

3.9 The NDPB shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Fraud section of the SPFM.

3.10 The NDPB shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant in aid.

4. EXPENDITURE ON BOARD MEMBERS

4.1 Remuneration, allowances and expenses paid to Board Members [and any pension arrangements] must comply with specific guidance on such matters issued by the Scottish Ministers.

5. EXPENDITURE ON STAFF

Staff costs

5.1 The NDPB is responsible for determining the number of staff required and the most appropriate organisational structure to deliver its remit economically, efficiently and effectively within the resources available to it. However, any significant changes in staff numbers or organisational structure must be approved in advance by the sponsor Directorate.

Pay and conditions of service

5.2 The NDPB shall submit to the Scottish Government's Finance Directorate for approval (normally annually unless a multi-year deal has been agreed) a pay remit within the terms and conditions set out in the Scottish Government's Public Sector Pay Guidance and negotiate a pay settlement within the terms of the subsequently agreed remit. Proposals on non-salary rewards must comply with the guidance in the Non-Salary Rewards section of the SPFM. The NDPB shall comply with the EU directive on contract workers "Fixed Term Employees Regulations (Prevention of Less Favourable Treatment)". [Where applicable: The terms and conditions of the Chief Executive are subject to a separate approval exercise.]

Pensions, redundancy / compensation

5.3 Superannuation arrangements for staff are subject to the approval of the sponsor Directorate. The NDPB's staff shall normally be eligible for a pension provided by [insert one of the following]:

- membership of the Principal Civil Service Pension Scheme (PCSPS);
- admittance to the Local Government Pension Scheme (LGPS);
- [arrangements by-analogy with an existing public sector scheme - provide details]

5.4 Staff may opt out of the occupational pension scheme provided by the NDPB. However, the employer's contribution to any personal pension arrangement, including stakeholder pension, shall [normally] be limited to the national insurance rebate level. [NOTE: The exception is for NDPBs covered by the PCSPS Partnership arrangement, and for NDPBs with PCSPS by-analogy versions, where a contribution regime has been agreed. NDPBs with other pension arrangements who are considering contributing to a stakeholder-type arrangement where staff opt out must consult the sponsor Directorate with a formal proposal based on actuarial advice.]

5.5 Any proposal by the NDPB to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the sponsor Directorate. Proposals on severance payments must comply with the guidance in the Severance etc section of the SPFM.

6. NON-STAFF EXPENDITURE

Capital expenditure

6.1 Subject to being above the NDPB's capitalisation threshold, as agreed with the external auditors, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis. Expenditure to be capitalised shall include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.

6.2 Proposals for large-scale individual capital projects or acquisitions will normally be considered within the NDPB's corporate planning process and within the context of its long-term estate strategy / asset management plan. Any such project shall be subject to the guidance in the Major Investment section of the SPFM and, where appropriate, the Construction Procurement Manual published by the Scottish Government's Construction Advice and Policy Division. Individual capital projects or acquisitions are subject to specific delegated limit[s] as indicated in the attached Appendix.

Lending, guarantees, indemnities, contingent liabilities, letters of comfort

6.3 [If the NDPB has statutory authority:] The NDPB shall not, without the sponsor Directorate's prior consent, lend money, charge any asset or security, give any guarantee - excluding a guarantee of a standard type given in the normal course of business - or indemnity or letter of comfort, or incur any other contingent liability (as defined in the Contingent Liabilities section of the SPFM or in International Financial Reporting Standards), whether or not in a legally binding form.

Grant or loan schemes

6.4 [If the NDPB has statutory authority:] Unless covered by a delegated authority, all proposals to make a grant or loan to a third party, whether one-off or under a scheme, shall be subject to prior approval by the sponsor Directorate, together with the terms and conditions under which such grant or loan is made. Guidance on a framework for the control of third party grants is included in the Grant & Grant in Aid section of the SPFM. See also below under the heading "Recovery of grant-financed assets".

Gifts, losses and special payments

6.5 Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out in the attached Appendix must have the prior approval of the sponsor Directorate. Any such proposals should address the considerations listed in the Losses & Special Payments section of the SPFM. Gifts by management to staff are subject to the guidance in the Non-Salary Rewards section of the SPFM.

Leasing

6.6 Prior sponsor Directorate approval must be secured for all lease arrangements. The NDPB must have capital DEL provision for finance leases and other transactions, which are in substance borrowing. Before entering into any lease (including an operating lease) the NDPB must demonstrate that the lease offers better value for money than purchase.

Public private partnerships

6.7 The NDPB shall seek opportunities to enter into non-profit distributing public private partnerships where this would be more affordable and offer better value for money than conventional procurement. Where cash flow projections may result in delegated authority being breached the NDPB shall consult the sponsor Directorate. Any partnership controlled by the NDPB shall be treated as part of the NDPB in accordance with International Financial Reporting Standards (IFRS) and consolidated with it [subject to any particular treatment required by IFRS]. See also the guidance in the Public Private Partnerships section of the SPFM.

Subsidiary companies and joint ventures

6.8 The NDPB shall not establish subsidiary companies or joint ventures without the express approval of the sponsor Directorate. In judging such proposals the sponsor Directorate will have regard to the Scottish Ministers' wider strategic aim[s] and objectives.

6.9 Any subsidiary company or joint venture controlled or owned by the NDPB shall be consolidated with it in accordance with IFRS as adapted and interpreted for the public sector context [subject to any particular treatment required by IFRS]. Unless specifically agreed with the sponsor Directorate such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in the MS/FM.

Financial investments

6.10 The NDPB shall not make any financial investments without the prior approval of the sponsor Directorate, nor shall it aim to build up cash balances or net assets in excess of what is required for operational purposes. Equity shares in ventures, which further the objectives of the NDPB shall equally be subject to sponsor Directorate approval unless covered by a specific delegation. The NDPB shall not invest in any venture of a speculative nature.

Unconventional financing

6.11 Unless otherwise agreed with the sponsor Directorate, the NDPB shall not enter into any unconventional financing arrangement.

Commercial insurance

6.12 The NDPB may only take out commercial insurance, without the prior approval of the sponsor Directorate, in accordance with the guidance in the Insurance section of the SPFM e.g. third party insurance required by the Road Traffic Acts. In the event of losses arising under the Scottish Government's policy of self-insurance the sponsor Directorate shall consider, on a case by case basis, whether or not it should make any additional resources available to the NDPB and/or agree adjustments to the targets in the corporate plan.

6.13 [A Certificate of Exemption for Employer's Liability Insurance has been issued to the NDPB.]

7. MANAGEMENT AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Register of assets

7.1 The NDPB shall maintain an accurate and up-to-date record of its fixed assets in accordance with the section of the SPFM on Management of Assets.

Disposal of assets

7.2 The NDPB shall dispose of assets which are surplus to its requirements and in accordance with its long-term estate strategy / asset management plan. Assets shall be sold for the best price, taking into account any costs of sale and in accordance with the guidance in the Disposal of Property, Plant & Equipment section of the SPFM. The Scottish Government's Property Advice Division should be notified of relevant proposed disposals of property at the earliest opportunity and at least 3 months prior to them being advertised on the open market. Proceeds from the disposal of assets may be recycled by the NDPB subject to them being included in approved budgets.

Recovery of grant-financed assets

7.3 Where the NDPB has financed expenditure on capital assets by a third party, the NDPB shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without the NDPB's prior consent. The NDPB shall therefore ensure that such conditions are sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if the grant was for less than the whole cost of acquisition or improvement.

7.4 The NDPB shall also ensure that if the assets created by grants made by the NDPB cease to be used by the recipient of the grant for the intended purpose an appropriate proportion of the value of the asset shall be repaid to the NDPB.

8. BANKING

8.1 The NDPB's Accountable Officer is responsible for ensuring that the NDPB's banking arrangements are consistent with the guidance in the Banking section of the SPFM. In particular he/she shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively.

FINANCIAL MEMORANDUM: APPENDIX

SPECIFIC LIMITS ON DELEGATED AUTHORITY

Single-tender contracts
Contracts for goods and services
Consultancies
Capital investment projects
Acquisition of assets
Grant / loan scheme
Claims waived or abandoned
Write-off of bad debt
Special Payments
Others as appropriate e.g.
Lending
Leases
Financial Investments
etc

2. Appendix 2

Executive Non Departmental Public Bodies in Scotland

Source: www.scotland.gov.uk/Topics/Government/public-bodies/directory Accessed 9 July 2009

EXECUTIVE NDPB	TERM OF REFERENCE	ESTABLISHED	GRANT IN AID RECEIVED (2008/09)	TOTAL GROSS EXPENDITURE (2008/2009)	STAFF	OCPAS REGULATED	NOTES
Accounts Commission for Scotland	To secure the audit of local authorities and joint boards. To report and make recommendations to Scottish Ministers and to audited bodies. To hold hearings and apply sanctions to councillors and officers, where appropriate.	1 April 1975 under the Local Government (Scotland) Act 1973					* Since the introduction of the Public Accountability (Scotland) Act 2000 the Accounts Commission's staff were transferred to Audit Scotland. ** Since April 2000 the Accounts Commission due to the Public Accountability (Scotland) Act 2000 has not been empowered to incur costs. It is now just a Board which is serviced by Audit Scotland. Its cost are recovered through charges to audited bodies namely Local Authorities by Audit Scotland.
Bòrd Gàidhlig na h-Alba	To ensure a sustainable future for the Gaelic language and culture in Scotland. Aims of the organisation include:- Increase the number of Gaelic speakers and users of Gaelic; Strengthen Gaelic as a family and community language; Facilitate access to Gaelic language and culture throughout Scotland; Promote and celebrate Gaelic's contribution to Scottish cultural life; Extend and enhance the use of Gaelic in all aspects of life in Scotland.	2002	£5,400,000	£800,000	9	YES	
Cairngorms National Park Authority	National Parks (Scotland) Act 2000	25th March 2003	£4,546,000	£5,000,000	55	YES	
Crofters' Commission	To reorganise, develop and regulate crofting and promote the interests of the crofters.	1956, by the Crofters(Scotland) Act 1955, it now operates under the Crofters (Scotland) Act 1993.	£3,400,000	£3,400,000	53	YES	*There is no grant in aid to the Crofters Commission. Theoretically, expenditure is incurred by Scottish Government Rural Directorate on behalf of the Commission.

Deer Commission for Scotland	To further the conservation, control and sustainable management of deer in Scotland and to keep under review all relevant matters, including the welfare of deer.	Under the Deer (Scotland) Act 1959; subsequently consolidated into the Deer (Scotland) Act 1996	£1,757,000	£1,767,000	24	YES	Expenditure is incurred by SEERAD on behalf of the Commission and the expenditure is borne directly on a Scottish Government vote.
Highlands & Islands Enterprise	To prepare, co-ordinate, promote and undertake measures for the economic and social development of the Highlands and Islands.	1991, under the Enterprise and New Towns (Scotland) Act 1990		£77,779,000	327	YES	* £77,779,000 has been approved by the Scottish Parliament. In addition £13,992,000 of non-cash allocation will be added to the grant in aid provision, giving a total resource budget of £91,771,000.
Learning & Teaching Scotland	To: actively promote a climate of innovation and ambition throughout the Scottish education system. • support teachers, schools and local authorities in improving the quality of education and raising levels of achievement of all learners. • ensure that the curriculum and approaches to learning and teaching, including the use of ICT, assist children and young people in Scotland to develop their full potential. • work in close partnership with The Scottish Government and other key stakeholders to build capacity and support the delivery of a first class education that is recognised as such nationally and internationally.	1 July 2000, from a merger of the Scottish Consultative Council on the Curriculum (Scottish CCC) and the Scottish Council for Educational Technology (SCET).	£5,950,000	£23,700,000	190	YES	As part of the simplification of the public sector landscape announced by the First Minister on 30 January 2008 the roles and functions presently undertaken by LTS are being reviewed to consider whether they might best be undertaken elsewhere in the public sector. The proposed timescale for the review is completion by end of March 2009. Other Expenditure by Directorate: £17.75m
National Galleries of Scotland	To care for, preserve and add to the objects in their collections; to ensure objects are exhibited to the public, and generally to promote the public's enjoyment and understanding of fine arts.	1906, the galleries were established by an Act of Parliament: the National Galleries of Scotland Act 1906, as amended by the National Heritage (Scotland) Act 1985.	£17,715,000	£13,184,000	329	YES	Expenditure represents 2006/2007 figure

National Library of Scotland	It is a library of legal deposit, entitled to claim works published in the United Kingdom and Ireland. It has large collections of printed books, manuscripts and maps and has an unrivalled collection of Scottish material.	1925, under the National Library of Scotland Act 1925. It was previously the library of the Faculty of Advocates, founded in 1689.	£19,542,000	£15,384,000	294	YES	Expenditure represents 2006/2007 figure
National Museums of Scotland	To care for, preserve and add to the objects on their collections; ensure that the objects are exhibited to the public, and to make the collections available through research, exhibitions, education and other activities.	1985, under the National Heritage (Scotland) Act 1985.	£33,725,000	£27,600,000	443	YES	Expenditure represents 2006/2007 figure
Police Complaints Commissioner for Scotland	Scrutinise independently the manner in which police organisations deal with complaints	1 April 2007, under the Police, Public Order and Criminal Justice (Scotland) Act 2006	£1,000,000		13	NO	
Quality Meat Scotland	To work with the Scottish red meat industry to improve its efficiency and profitability and to maximise its contribution to Scotland's economy.	Primary legislation - The Natural Environment and Rural Communities Act 2006 - Secondary legislation - The Quality Meat Scotland Order 2008		£6,400,000	19	NO	
Risk Management Authority	The RMA is responsible for overseeing arrangements for the risk assessment of offenders whose liberty presents a risk to the public at large and minimising risk in respect of a small number of serious violent and sexual offenders who may be or have been sentenced to the Order for Lifelong Restriction (OLR)	27 June 2003, under section 3 of the Criminal Justice (Scotland) Act 2003	£1,500,000	£1,392,000	13	YES	Expenditure represents 2007/2008

Royal Botanic Garden, Edinburgh	To explore and explain the world of plants. It is also a major tourist attraction. To maintain and develop the living and preserved collections to project science into society both at home and internationally and to maximize visitor numbers.	1923, A Physic Garden was first established in 1670. The present Botanic Garden, occupying about 30 hectares, was established at Inverleith in 1923.	£15,200,000	£9,800,000	224	YES	Grant-in-Aid: £15.2m - made up of £8.5m Grant in Aid and £6.7m Capital Grant (£6m for one off Gateway Visitor Centre project and £0.7m for general capital)
Royal Commission on the Ancient and Historical Monuments of Scotland	To carry out a programme of field surveys and recording of the built heritage of Scotland under international convention. As part of this work it compiles and maintains the National Monuments Records of Scotland.	1908, by Royal Warrant	£4,300,000	£6,000,000	101	YES	
Scottish Agricultural Wages Board	To make Orders fixing minimum wage rates, holiday entitlements and other conditions for workers employed in agriculture in Scotland.	1949, by the Agricultural Wages (Scotland) Act 1949				YES	Other Expenditure by Directorate: £0.130m
Scottish Arts Council	The Council supports and develops the arts in Scotland.	By Royal Charter in 1994, the Scottish Arts Council became autonomous from the Arts Council of Great Britain.	£62,053,000	£77,503,000	98	YES	Grant in aid reflects 2006/2007 figure. Expenditure includes National Lottery Accounts. Scottish Arts Council and Scottish Screen now have a joint chair and board.
Scottish Children's Reporter Administration	To facilitate the performance by the Principal Reporter/Chief Executive of her statutory functions in relation to children and young people who may be in need of compulsory measures of care; to deploy and manage staff to carry out that work and to provide suitable facilities for Children's Hearings.	Established on the 1st April 1995 as a NDBP under section 128 of the Local Government etc. (Scotland) Act 1994. Became operational on the 1st April 1996.	£27,500,000		483	YES	
Scottish Commission for the Regulation of Care	The Care Commission's aim is to ensure improvement in the quality of care services in Scotland, respecting the rights of people who use those services to dignity, privacy, choice and safety. This is to be attained through a new, unified regulatory system.	1 April 2002. Established under the Regulation of Care (Scotland) Act 2001	£18,875,000	£30,480,000	575	YES	Figures from 2007/2008

Scottish Criminal Cases Review Commission	To consider alleged miscarriages of justice and to refer deserving cases to the High Court for determination.	1 April 1999, under section 194A of the Criminal Procedure (Scotland) Act 1995 (as inserted by section 25 of the Crime and Punishment (Scotland) Act 1997	£1,293,486	£1,110,965	13	YES	Expenditure figures from 2007/2008
Scottish Enterprise	To generate jobs and prosperity for the people of Scotland.	1991, under the Enterprise and New Towns (Scotland) Act 1990	£418,981,000		1020	YES	* £418,981,000 has been approved by the Scottish Parliament. In addition £29,622,000 of non-cash allocation will be added to the grant in aid provision, giving a total resource budget of £448,603,000.
Scottish Environment Protection Agency	To provide an efficient and integrated environmental protection system for Scotland which will both improve the environment and contribute to the Scottish Ministers' goal of sustainable development.	1996, under the Environment Act 1995.	£49,491,000	£70,448,000	1369	YES	Expenditure as at 2007/2008
Scottish Further and Higher Education Funding Council	The funding of further and higher education and research in Scotland through providing grants to support teaching, learning and research in Scotland's colleges and universities.	Established 03 October 2005, by the Further and Higher Education (Scotland) Act 2005. On that date the Scottish Further Education Funding Council (SFEFC) and the Scottish Higher Education Funding Council (SHEFC) were dissolved.	£1,673,300,000	£1,786,395,000	118	YES	Expenditure as at 2006/2007

Scottish Legal Aid Board	To access and where appropriate grant, applications for Legal Aid; to scrutinise and pay legal aid accounts submitted by solicitors and advocates; and to advise Scottish Ministers on legal aid matters.	1987, under the Legal Aid (Scotland) Act 1986.	£12,696,000	£12,696,000	296	YES	Total Gross Expenditure: Legal Aid Fund - £161.866m (2006-07); Administration £12,696. Scottish Government Grant-in-Aid: Legal Aid Fund £150.198m; Administration £12.696m. The Legal Aid Fund is demand led and funding additional to the allocated budget will be provided by the Scottish Ministers if the need arises.
Scottish Legal Complaints Commission	The Scottish Legal Complaints Commission was set up by the Legal Profession and Legal Aid (Scotland) Act 2007 to investigate complaints made by members of the public about services provided by legal practitioners in Scotland. It operates wholly independently of the legal profession.	1st October 2008		£3,496,158	45	YES	Staffing level for 2009. Originally 15
Scottish Natural Heritage	Statutory adviser to Scottish Ministers and others on matters affecting the natural heritage of Scotland	1992, under the Natural Heritage (Scotland) Act 1991	£70,802,000		831	YES	Scottish Government Grant-in-Aid: £70,802,000 (2007/08) (£66,871,000 is Operating and £3,931,000 is Capital). Total Gross Expenditure: £70,802,000 (2007/08) (£66,871,000 is Operating and £3,931,000 is Capital)
Scottish Police Services Authority	To provide policing and support services to Scotland's eight police forces and the criminal justice community.	2007, under the Police, Public Order and Criminal Justice (Scotland) Act 2006.	£81,085,000		1609	YES	
Scottish Qualifications Authority	To develop and award qualifications in the national education system in Scotland, and also qualifications for work. It is also Scotland's national accrediting body for work based SVQ qualifications. SQA qualifications are available in schools, colleges, training centres and the workplace.	Under the Education (Scotland) Act 1996 as amended by the Scottish Qualifications Authority Act 2002	£8,999,000	£60,110,000	649	YES	Grant in aid reflects 2007/2008. Other Expenditure by Directorate: 5-14 Programme: £0.502m; Accreditation Unit: £1.545m; Development funding: £3.437m
Scottish Screen	Scottish Screen is the national development agency for the screen industries in Scotland	1997, as a limited company limited by guarantee.	£3,368,000	£4,386,000	40	YES	
Scottish Social Services Council	To regulate the Social Services Workforce and raise standards in social work and social care	1 October 2001; Regulation of Care (Scotland) Act 2001	£9,470,000	£12,675,000	106	YES	

Skills Development Scotland	SDS is a new public body created by the Government to bring a better focus to skills development. It has an important role to play in the strategic objectives of Smarter and Wealthier and Fairer. It will work with others to realise the vision set out in the Skills Strategy to focus on the individual development of skills, improve the economic pull of skills development and create cohesive structures for the delivery of skills development. SDS brings together Careers Scotland, the Scottish University for Industry/Learndirect Scotland, and key skills elements in Scottish Enterprise and Highlands and Islands Enterprise. It, therefore, combines both support for skills development and learning – information, advice and guidance – and important elements of training provision – the national training programmes such as Modern Apprenticeships, Get Ready for Work and Training for Work. SDS operates at the national, regional and local levels.	1 April 2008, registered as a Company limited by guarantee	£176,000,000		1412	NO	Only became operational on 1 April 2008. Currently the budget for SDS has been set at £176m/ £176m/ £170m from 2008-09 until 2010-11. Other Expenditure by Directorate: £16m transition costs in financial year 08/09
sportsotland	The council has both executive and advisory functions and is the National Lottery distributor body for the Lottery Sports Fund in Scotland.	1972, by Royal Charter.	£41,227,000	£34,300,000	246	YES	sportsotland merged with the Scottish Institute of Sport on 1 April 2008 and the organisation will be relocated to Glasgow.
The Loch Lomond and the Trossachs National Park Authority	National Parks (Scotland) Act 2000	8 July 2002, Founding legislation: The Loch Lomond and The Trossachs National Park Designation, Transitional and Consequential Provisions (Scotland) Order 2002.	£6,606,000	£7,869,677	154	YES	Expenditure as at 2007/2008
VisitScotland	VisitScotland's principal functions are marketing, visitor services, research and co-ordination of action arising from the Strategy for Scottish Tourism.	Under 1969 Development of Tourism Act	£44,426,000	£72,754,000	705	YES	Grant in aid as at 2006/2007. Expenditure as at 2005/2006

Water Industry Commission for Scotland	To promote the interests of persons whose premises are connected to the public water supply system or the public sewerage system or both relating to the provision to them of water and sewerage services. To determine maximum charges and approve charges schemes. To establish a licensing framework for retailing water and sewerage services to non-household customers.	Under The Water Industry (Scotland) Act 2002 as amended by the Water Services(Scotland) Act 2005.	£5,300,000	21	YES	* £5.3 m consolidates costs in relation to CMA, Waterwatch and licensing costs.
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Public Corporations in Scotland

Source: www.scotland.gov.uk/Topics/Government/public-bodies/directory Accessed 9 July 2009

- Scottish Water
 - Caledonian Maritime Assets Ltd
 - David McBrayne Ltd
 - Highlands and Islands Airports Ltd
-

3. Appendix 3

Application form detailing expertise as an essential criteria

Application to: **The Mental Welfare Commission for Scotland**

Application for appointment as a: **Board Member**

Please note **Part A** of the application form will **not be made available to the selection panel**.

Your form will be photocopied/scanned and then read by the panel. It is therefore important that it is **legible**. Please complete this form electronically or if hand-written, in **black ink**.

PART A: PERSONAL INFORMATION

Last Name:

Title:

First Name(s):

(please underline the name you are known by)

Home Address:

Post Code:

Telephone number:

Mobile:

Tel/ No. Business

Email:

Address for

**Correspondence (if
different from above):**

Post Code:

Telephone number:

PART A: DECLARATION

I declare that the information I have given in support of my application is, to the best of my knowledge and belief, true and complete. I understand that, if it is subsequently discovered that any statement is false or misleading, or that I have withheld relevant information, my application may be disqualified.

I understand that all documentation associated with an appointment round will be held by the Scottish Government for two years following the announcement for audit purposes and/or to investigate a complaint. I understand that if my application is successful, it will be held for the duration of my appointment.

By submitting this application, I agree that documentation generated during this appointment round may be accessed by the Commissioner for Public Appointments in Scotland or anyone acting on the Commissioner's behalf, insofar as is necessary to ensure a fair appointment process.

Under the terms of the Data Protection Act 1998, I agree that the information given in the personal information section of the application form may be processed to provide management information for appointment round monitoring purposes. I understand that my personal details will not be made available publicly unless I am appointed.

Signature _____ Date

If your application is submitted by email please leave the signature blank. You will be required to sign this application if successful

Closing date for **receipt of applications is FRIDAY 19 NOVEMBER 2010.**

Completed applications can be returned electronically to paapplicationsmailbox@scotland.gsi.gov.uk

Alternatively, you can post or fax your application to:

**Scottish Government
HR Public Appointments
Saughton House (E1 spur)
Broomhouse Drive
Edinburgh
EH11 3XD
Freephone: 0800 015 8449
Fax: 0131 244 3833**

PART B: SELF ASSESSMENT – SUITABILITY

This part of the application form will be available to the Selection Panel. Please note that we may contact you to seek clarification or further information on the contents of your application.

Please study the accompanying **Person Specification** which provides a list of the essential and desirable criteria, and highlights at which stage in the process each of the criteria will be tested. For the criteria being tested in the application stage, you should use this form to demonstrate that you have the experience, skills and knowledge we have asked for. Draw on examples from your working life, through your participation with a private, public, voluntary or community organisation, and/or other areas of your personal life.

In this part of the form you will find the following, which you should ensure are completed as appropriate depending on the role you are applying for:

- A: Four essential criteria to be completed for ALL posts**
- B: Three desirable criteria to be completed for ALL posts**
- C: One essential criterion to be completed for the Service User post**
- D: One essential criterion to be completed for the Carer post**

This is a very important part of your application. If you do not deal with all of the essential criteria the selection panel will find it difficult to assess your application and may be unable to invite you to interview. We also invite you to say something against the desirable criteria sections. **The selection panel will not make assumptions – for example from a job title – as to the skills and knowledge you have gained.**

To be considered for interview, you must as a minimum requirement *meet all* of the essential criteria listed on the following pages.

Suggested preparation

- Take time to think about each of the criteria.
- Think about the situations you have been involved in which are relevant to the criteria.
- Think how your actions/experiences in these situations demonstrated the criteria.
- Prepare your answers – we have provided some 'prompts' for each of the criteria which you may find helpful in constructing your response.

Writing your examples

- Please be **clear** and **succinct**. You may be asked to expand on your answers at interview or provide different examples if preferred.
- In writing your examples, please use the space provided. Should you require to use continuation sheets, please ensure they clearly illustrate to which section they refer.
- Please ensure that you give specific examples for each criterion, describing **actual** events rather than a generalised description of what you would usually do.
- Draw on examples which best demonstrate your skills, knowledge or abilities in that area, but try to use different examples across the range of criteria to demonstrate a breadth of experience.
- Write what **YOU** did – use “I” not “we”.
- Give the outcome – what happened?
- Where knowledge is required, describe how you gained and/or used this knowledge.

**Please confirm that you
live or work in Scotland**

YES

Please confirm which post you are applying for	Board Member	<input type="checkbox"/>
	Board Member - Service User	<input type="checkbox"/>
	Board Member - Carer	<input type="checkbox"/>

A: ESSENTIAL CRITERIA FOR ALL POSTS

Ability to set strategic direction, define annual and longer term objectives and agree plans to achieve them

Please provide **one or more specific** examples which best demonstrate the above. You may wish to include:

- A description of the situation and its context.
- What skills and knowledge **YOU** employed when setting strategic the direction, defining the annual and longer term objectives and agreeing plans to achieve them.
- The outcome and how **YOUR** personal contribution influenced it.

A: ESSENTIAL CRITERIA FOR ALL POSTS

Ability to oversee the delivery of planned results by monitoring performance against objectives

Please provide **one or more specific** examples which best demonstrate the above. You may wish to include:

- A description of the situation and its context.
- What skills and knowledge **YOU** employed when overseeing the delivery of planned results by monitoring performance against objectives.
- The outcome and how **YOUR** personal contribution influenced it.

A: ESSENTIAL CRITERIA FOR ALL POSTS

Ability to challenge constructively and influence decision making within a Board or team setting

Please provide **one or more specific** examples which best demonstrate the above. You may wish to include:

- A description of the situation and its context.
- What skills and knowledge **YOU** employed when challenging constructively and influencing decision making.
- The outcome and how **YOUR** personal contribution influenced it.

A: ESSENTIAL CRITERIA FOR ALL POSTS**Ability to build relationships and interact effectively with internal and external stakeholders**

Please provide **one or more specific** examples which best demonstrate the above. You may wish to include:

- A description of the situation and its context.
- What skills and knowledge **YOU** employed when building relationships and interacting effectively with internal and external stakeholders.
- The outcome and how **YOUR** personal contribution influenced it.

INTERVIEW: Should you be invited for interview, you will also be assessed against the following essential criteria in addition to those already completed above.

ESSENTIAL CRITERIA**Personal Qualities:**

- Strong personal commitment to human rights, diversity, mental health and learning disability issues
- Commitment to the principles of public life (see Annex A of the Role Description)

Please include examples of how you meet the desirable criteria listed below.

B: DESIRABLE CRITERIA FOR ALL POSTS

Knowledge of the practice and principles that underpin mental health and incapacity legislation and the practical implications nationally and locally.

Please provide **one or more specific** examples which best demonstrate the above. You may wish to include:

- A description of your specific knowledge.
- Examples of how and when you have applied this knowledge.
- The outcome and your personal contribution.

Knowledge of management, financial matters and best value (for example, knowledge gained from managing budgets in an organisation)

Please provide **one or more specific** examples which best demonstrate the above. You may wish to include:

- A description of your specific knowledge.
- Examples of how and when you have applied this knowledge.
- The outcome and your personal contribution.

B: DESIRABLE CRITERIA FOR ALL POSTS

Experience, ideally within the last 5 years, of providing mental health and/or learning disability services, or other skills, knowledge or experience relating to the exercise of the Commission's functions.

Please provide **one or more specific** examples which best demonstrate the above. You may wish to include:

- A description of your specific experience, skills or knowledge.
- A description through examples of how this relates to the Commission's functions.
- The outcome and your personal contribution.

C: ESSENTIAL CRITERIA FOR THE SERVICE USER POST

Experience of care and treatment by mental health and/or learning disability services and how this experience will benefit the work of the Commission

Please provide **one or more specific** examples which best demonstrate the above. You may wish to include:

- A description of your experience of care and treatment by mental health and/or learning disability services.
- A description of how this experience will benefit the work of the Commission.

D: ESSENTIAL CRITERIA FOR THE CARER POST

Experience of caring for someone who has been treated by mental health and/or learning disability services and how this experience will benefit the work of the Commission

Please provide **one or more specific** examples which best demonstrate the above. You may wish to include:

- A description of your experience of caring for someone treated by mental health and/or learning disability services.
- A description of how this experience will benefit the work of the Commission.

Conflict of Interest

Are you aware of any possible conflict of interest which might arise either personally, in relation to your employment or in relation to your connections with any individuals or organisations should you be appointed?

Conflicts of interest are not normally a barrier to appointment as long as they are appropriately managed and/or resolved and this will be explored at interview.

Yes No

If yes, please provide details:

Please note that anyone appointed to this position **cannot** also be a member of a Mental Health Tribunal panel while serving with the Commission.

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