Executive Summary

In the first quarter of 2007, the Australian Institute of Management (AIM) commissioned a large scale survey of its Fellows and Associate Fellows to better understand the respective roles of management and directors in corporate governance. The study was motivated by the rise in importance of corporate governance in general and the dearth of research surrounding the role of management in effective corporate governance.

This study represents the third phase of a larger research agenda. Phase one involved a series of more than sixty interviews of senior managers and directors to identify possible issues for further investigation. Phase two involved a large-scale pilot and refinement of these issues with a survey of the Fellows and Associate Fellows of the Queensland and Northern Territory Division of the AIM.

Participants in this survey included a broad cross section of (1) organisations (see section 1 for details), (2) individuals (see section 2 for details) and (3) governance arrangements (see section 3 for details).

While there are a number of quite detailed findings that emerge from the data the key results can be summarised into three different themes:

1. The things boards do to contribute to performance are viewed differently by managers and directors.

Directors and managers think of their roles in terms of topics (or areas of focus) rather than activities (or how they carry out their task). We have isolated five key domains of focus, namely:

- Strategy;
- Risk and compliance;
- Policy;
- Access to resources (or networking and communication); and
- Oversight and development of the management team.

While these domains of focus are recognised by both managers and directors, each have different views on how a board's performance on each domain is related to their perceptions of overall board performance. Both directors and managers perceive the board's focus on strategy as positively related to perceptions of board management and organisational performance. Managers also tended to view board roles that assists them (e.g. access to resources; oversight and development of the management team) as positively contributing to how they viewed the board's performance (but not organisational nor management performance). In contrast, directors tended to view whole-of-organisation focus areas (most notably policy) as contributing to perceptions of board, organisational and management performance. This whole-of-company versus management-assistance split between director perceptions and management perceptions was replicated in investigations of board effectiveness (see section 6 for more details).

2. Boards that strategise collaboratively with their management teams (rather than merely establishing and monitoring goals) are thought to contribute to board, organisational and management performance.

Given the importance of the board's role in strategy, we were interested in how boards undertook their duty to control and monitor the company. Specifically, we developed robust measures for what we have termed *procedural strategising* (where boards concentrate on setting goals and monitoring against those goals sporadically) and *collaborative strategising* (where boards and management work together on strategy). Our results clearly indicate that boards engaged in collaborative strategising are thought to strongly contribute to performance and boards engaged in procedural strategising are thought to be negatively associated with performance. This is an important finding as it has significant implications for how boards and management teams should approach what was perceived by both groups as the most important area of focus for the board.

3. Chief Executives and Managing Directors are more likely than any other governance participant (even Chairmen) to champion or lead the governance agenda in their organisations.

The third major finding of this research was the critical role that managers, or more specifically the CEO or Managing Director plays in governance. CEOs/MDs are most likely to initiate or champion governance change - more likely than the logical and often normatively prescriptive choice of Chairman. Again, this is an important finding as it highlights the need for managers (and regulators) to better understand the respective roles of managers and directors in ensuring a corporation has effective governance.

Implications for Managers

The overarching implication for managers is twofold. First, effective and robust good corporate governance is not something that can be abdicated to directors in general and non-executive or independent directors directors in particular. Rather, effective governance that addresses compliance and contributes to the performance of an organisation appears to rely instead on the joint effort of managers and directors. Chief Executives and Managing Directors are highly likely to be championing any governance change and further, collaborative efforts surrounding setting the company's strategic direction and ensuring the company is headed forward in that direction require close joint attention.

Second, managers often view how boards contribute to effective governance differently than do directors. In particular, managers value how boards can help them do their jobs (e.g. providing access to resources, oversight of the management team) whereas directors see their role in terms of whole-of-organisation focus. This should cause managers to pause and see if their current governance arrangements take these differences into account or if, in fact, current practices exacerbate this tendency. In particular, managers should work hard to ensure their boards are collaboratively strategising with the management team.

Limitations

There are some limitations to this survey, particularly:

- Some segments of analysis (e.g. results for listed companies, public unlisted companies and government owned corporations) have smaller representation which may affect the reliability of results for these segments.
- Given our results are based on a single survey, there is the possibility of common method variance but, given the divergent results for different segments and elements of the survey, we believe this is a minor concern.
- Due to the sample frame of this work and the constraints on determining true response rates, the sample may not be truly representative of the Australian population. However, the breadth of respondent types, the analysis conducted (i.e. testing for differences by different types of organisations) and comparison of key statistics (e.g. board size) with other large-scale studies indicate that this is not a major concern for the survey overall.

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Section 1: About the Companies

The firms in the sample provide a mixed of company types and governance arrangements. First, the structure of the sample was a broad mix of of all company forms. Nonprofit companies and proprietary limited companies were well represented in the sample.

There was a similarly diverse representation of company size, with a strong and relatively equal representation of the three lowest categories of number of employees.

Figure 1.1 - Number of companies by company type

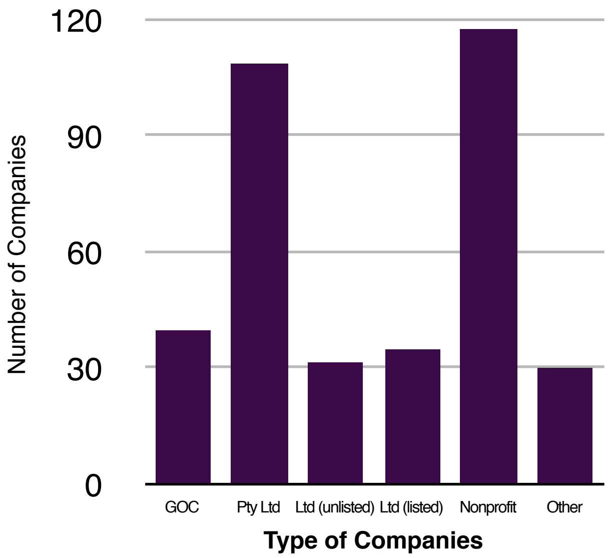
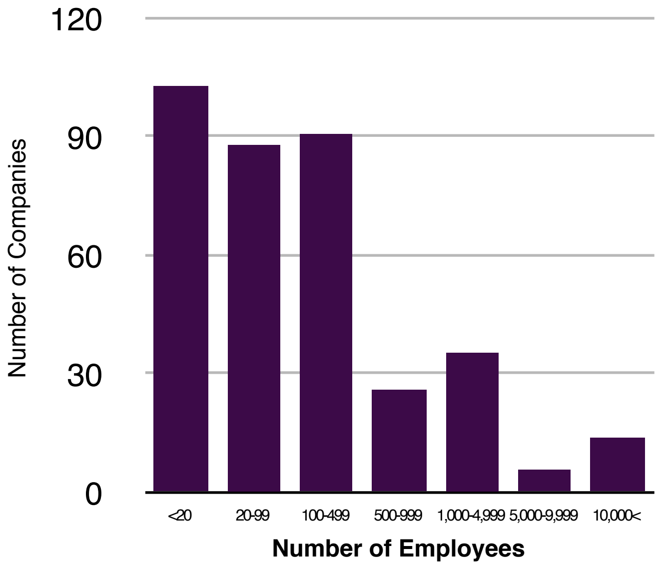


Figure 1.2 - Number of companies by Employee Levels



The sample also included a diversity of industries. As figure 1.3 highlights, most companies operated in a single industry while the most diversified company operated across 11 different industry codes. Figure 1.4 highlights that there was a broad representation of industry types across the sample.

Figure 1.3 - Number of companies by number of industries

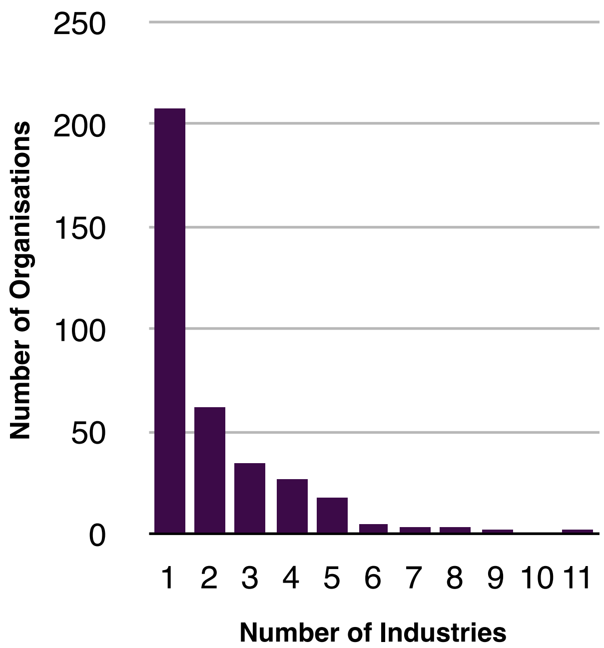
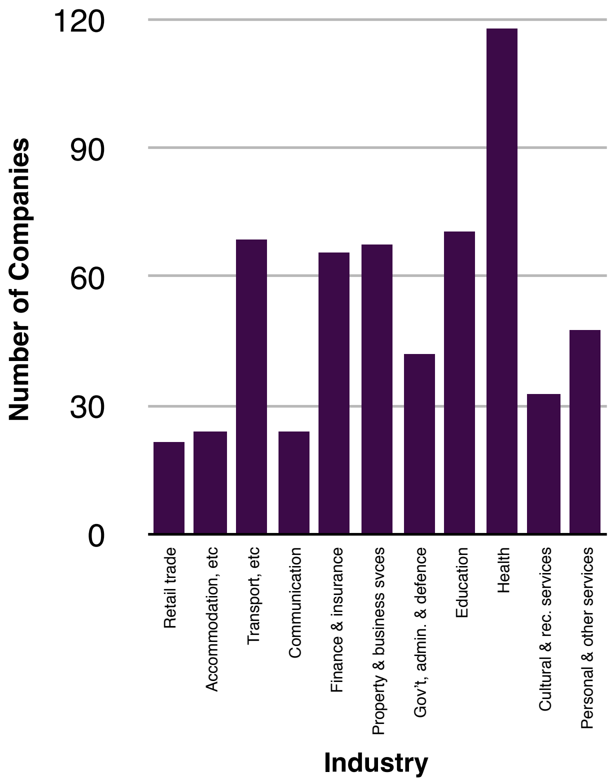


Figure 1.4 - Number of companies by industry type



Section 2: About the Participants

Participants in the study represented the range of key governance positions. As figure 2.1 highlights, there were substantial segments of nonexecutive directors, executive directors, CEOs (not on the board) and other senior managers (not on the board). Of those participants who were not members of the board, most (some 74%) attended 80% or more of the board meetings.

Figure 2.1 Respondent's Position

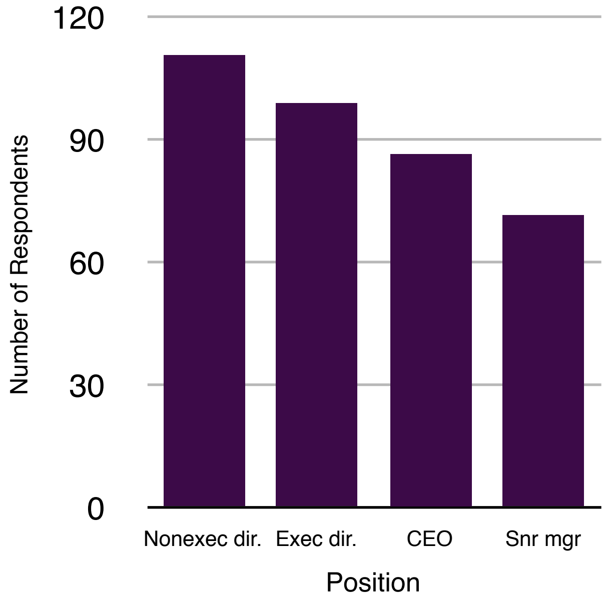
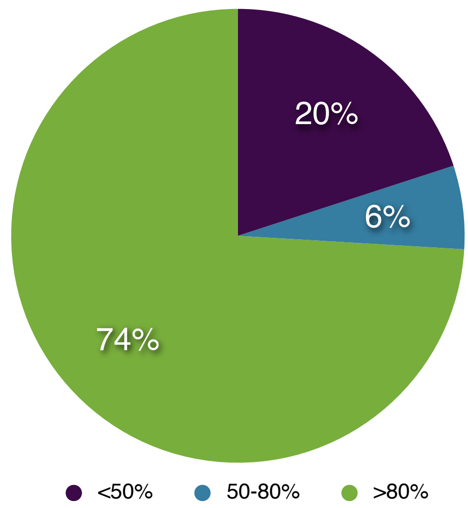
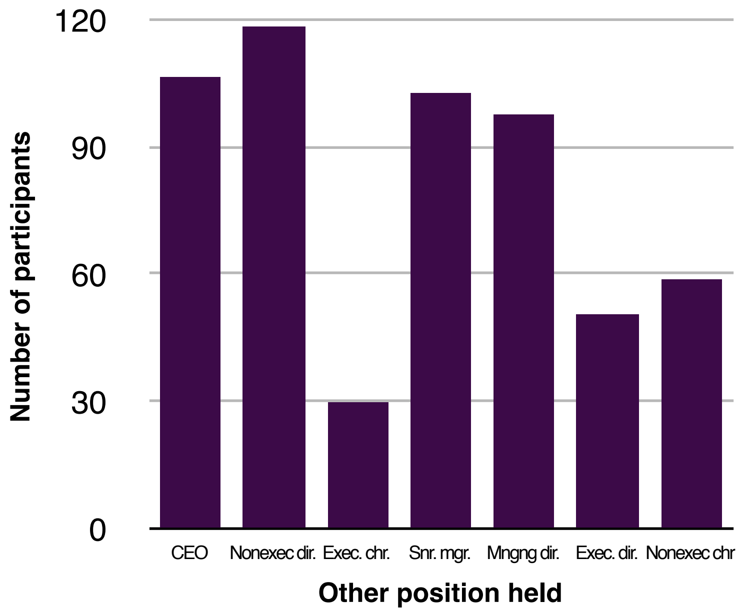


Figure 2.2 Proportion of time non-board member respondents spent in board meetings



While participants answered the question based on the position recorded in figure 2.1, participants often held more than one position. Figure 2.3 contains a count of the additional senior governance positions held (in total) by participants.

Figure 2.2 Proportion of time non-board member respondents spent in board meetings



Section 3: About the Boards and Governance Structures

The sample represents a spectrum of governance arrangements that appears reasonably closely matched to previous population studies (e.g. mean number of directors of 6.2 is similar to that of Kiel & Nicholson's (2003) study of Australia's top 500 mean of 6.6). The distribution of number of directors on the board is presented in figure 2.1 while the proportion of CEO's serving on the board is presented in figure 2.2.

Figure 2.1 Number of Directors on the Board

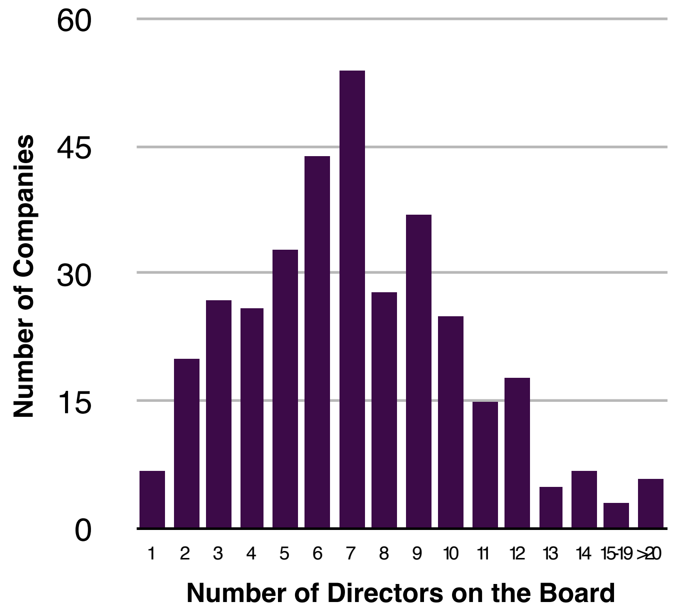
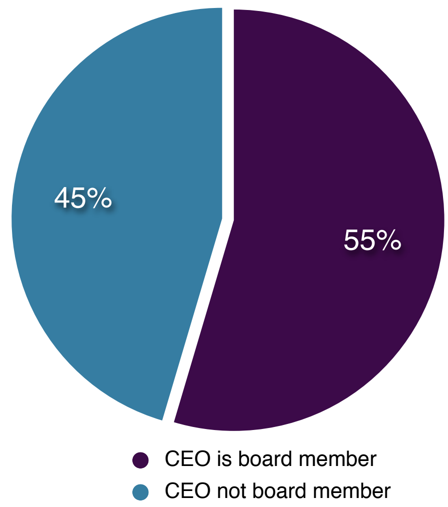


Figure 2.2 Proportion of CEOs who are Board Members



Committee structures are also central to corporate governance. As figure 2.3 shows, there was a wide range in the number of committees used. The most prominent type of committee is the Audit Committee, although as figure 2.4 highlights, Risk, Remuneration and Strategy Committees are also widely used.

Figure 2.3 Number of Committees on each Board

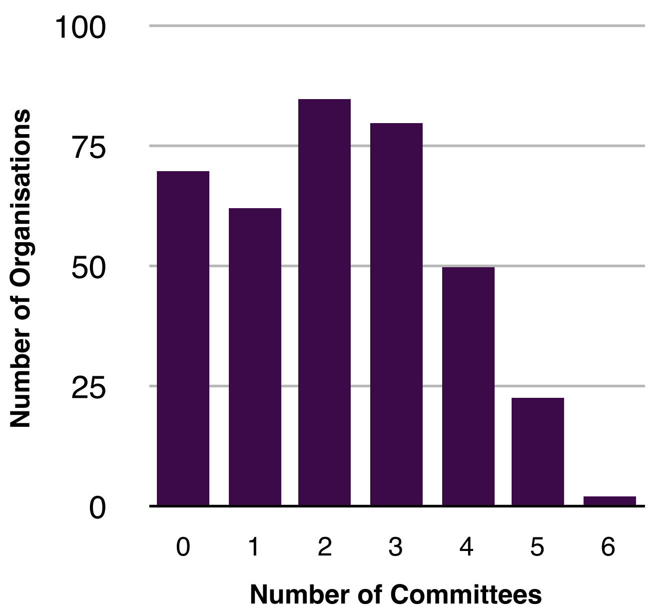
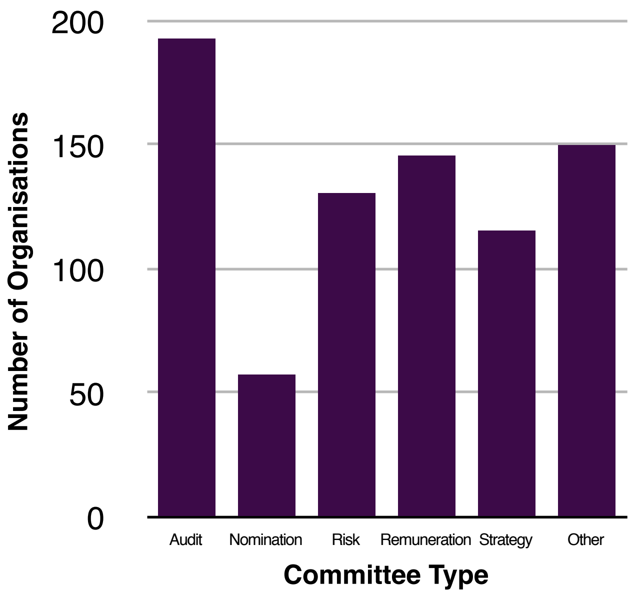
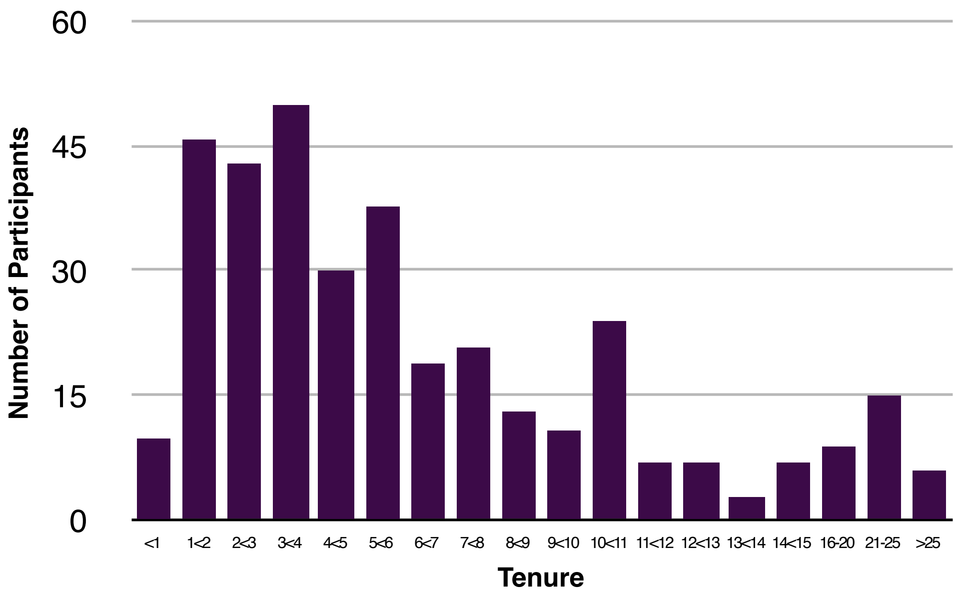


Figure 2.4 Prevalence of type of Committees



Participants also provided the tenure of their CEO, a measure often used as a proxy for board power. This distribution is reported in figure 2.5.

Figure 2.5 Tenure of CEOs in participant organisations



Section 4: Perspectives on Board Roles

This section of the research represents the culmination of a four year, three-phase program of research designed to better understand what directors and managers believe boards should do. In the first phase, we undertook a series of 64 interviews (evenly divided between senior executives and directors) to identify what they saw as the key roles or functions of the board.

This led us to conclude that there was a mix of two distinct types of role or function for boards. There were *activity* focused words (such as monitoring, advising, etc.) and *topic* focused words (such as risk, compliance) often mixed to describe the activities of the board. Thus, it was unclear how to assess some prevalent roles or functions that are widely thought to be within the domain of the board. For instance, it is difficult to answer the question "How well does the board carrying out the monitoring role?" largely because the answer is most likely to vary by topic. There may be different degrees of board performance across various topics of board interest, such as risk, strategy, compliance and so on.

To better understand this relationship, we conducted a survey with the AIM Qld & NT which was designed to test whether directors and managers conceived of the roles or functions of the board *primarily* in terms of topic or activity. The results of this analysis (a factor analysis of 42 items that mixed activity and topic) clearly showed that five topics (or domains of activity) dominated the activity in terms of perception of board role or function.

However, since the items (or questions) used in this survey were designed to answer this question, they lacked the robust statistical characteristics required to form a reliable instrument to measure board roles. To address this concern, we reviewed our original items and focused in on those domains or topics identified in the first survey.

Table 4.1 Roles identified in the research along with a list of each item that loads onto that role

Role (or area of focus)	Item
Strategy	Understand the organisation's strategic direction
	Ensure the organisation's human and financial resources are used appropriately
	Ensure decisions are aligned to organisational objectives
Risk and compliance	Review the organisation's performance
	Oversee how risks are managed in the organisation
	Oversee the company's adherence to legislative and stakeholder requirements
Policy	Have a framework for managing the organisation's compliance with all important legislative and stakeholder requirements
	Have a framework for guiding and monitoring all aspects of the organisation
	Have a series of documented board governance policies (you may call it a handbook, charter or something similar)
Access to resources	Contribute new ideas to the organisation
	Monitor the external environment of the organisation
	Connect the organisation to the external environment (e.g. keeping up to date with modern business, providing contacts or information to the management team, etc.)
	Make valuable contacts available to the organisation
Oversight and development of the management team	Oversee the Chief Executive's remuneration/salary
	Assist or mentor the development of the Chief Executive
	Oversee/manage the Chief Executive's performance
	Oversee/manage the senior management succession plan

We used the structural equation modeling program, AMOS 7.0 to conduct a confirmatory factor analysis to test if these five domains were indeed relevant. The resulting model is presented in Appendix One and it clearly demonstrates that there are five key roles perceived by both managers and director, namely:

- Strategy;
- Risk and compliance;
- Policy;
- Access to resources (commonly referred to as networking); and
- Oversight and development of the managment team (coded ‘advice’ in the model provided in the appendix).

Results of the relationships between board roles and firm performance are provided in Section 9. A list of each role and the associated items that load onto that role are provided in table 4.1.

In conclusion, this has the potential to be a significant advance in the field of corporate governance as it is the first empirically validated instrument that measures board roles of which we are aware.

Section 5: Perspectives on Board Control

Another major focus of the research effort was to better understand how boards execute control over the organisations they govern. To do this, we developed the concepts of *collaborative strategising* and *procedural strategising*.

As with board roles, this involved a three stage research program that began with interviews of managers and directors which identified two themes based on the board's primary concentration on collaboration around strategy or establishing financial targets for which management was held accountable. These themes reflected similar concepts in the strategy literature surrounding the control of multinational companies. We developed an instrument that was administered in a survey in 2006 and received expert feedback on what were promising results. As a result of this feedback, we made some minor amendments to the wording of the instrument and this formed the basis of section C of the survey.

We used the structural equation modeling program, AMOS 7.0 to conduct a confirmatory factor analysis to test if these two domains were indeed relevant. The resulting model is presented in Appendix Two, and there is a strong and robust fit between the model and data.

A list of the domains and each relevant item is presented in table 5.1 following.

Table 5.1 Two dimensional board control model identified in the research along with a list of each item that loads onto that role

Scale	Item
Collaborative strategising	Board and management together develop and review strategic goals, mission and values
	Progress against the strategic plan is discussed at each board meeting
	Board balances strategic and financial indicators in its ongoing assessment of organisational performance
	Directors discuss strategy with the senior management team between formal board meetings
	Board's primary criterion when recruiting a CEO is his/her prior experience in implementing strategy relevant to the firm's strategic direction
Procedural strategising	Board relies primarily on financial metrics in monitoring organisational performance
	Board's primary criterion in recruiting a CEO is his/her financial results in prior positions
	Board evaluates major capital expenditure proposals based on financial return first, strategic fit second
	Board's approach to risk management is to focus strongly on financial and compliance aspects
	Board relies primarily on financial measures in assessing management's performance

Section 6: Perspectives on Board Effectiveness

In this component of our research, the aim was to develop an instrument that could measure the different components (or dimensions) of performance. We used earlier qualitative findings to construct a series of nine dimensions of board performance that had emerged from more than 64 interviews we had undertaken with directors and senior managers.

First, all nine of the dimensions that we measured loaded onto a single factor which we have called "board effectiveness". This is important, as it highlights the different dimensions we chose were all indicators of a single concept - the board's effectiveness.

To better understand the differences in perceptions of the various categories we first conducted t-tests to see which dimensions were rated higher or lower than the average effectiveness rating across the dimensions. These are highlighted in Table 6.1.

Table 6.1 - Rating differences by respondent type

	Nonexecutive directors	Executive directors	CEOs	Senior managers
Dimensions rated higher than average	•Strategy •Compliance management •Governance system •Advising management •Monitoring management	•Strategy •Managing the CEO's performance •Risk management •Compliance management •Stakeholder management •Ensuring appropriate governance system in place •Engaging and advising CEO and management •Establishing boundaries for management •Monitoring activities		
Dimensions rated lower than average			•Strategy •Managing the CEO's performance •Risk management •Compliance management •Stakeholder management •Ensuring appropriate governance system in place •Engaging and advising CEO and management •Establishing boundaries for management •Monitoring activities	•Managing the CEO's performance •Engaging and advising CEO and management •Establishing boundaries for management •Monitoring activities

Table 6.1 highlights some interesting results - executive directors rated board effectiveness as higher than the average rating across all dimensions and CEOs rated effectiveness lower than the average rating across all dimensions. Nonexecutive directors rated five dimensions higher than average and senior managers rated four dimensions (all dealing with the interaction between the board and management) lower than the average.

We then sought to understand the key differences between perceptions of the various groups of respondents. Interestingly, there were no statistically significant differences between executive and nonexecutive director perceptions. There were, however, differences between directors and managers in terms of perceptions of effectiveness. These are contained in Table 6.2. In all cases, directors rated the relevant dimension of effectiveness as higher than the senior manager/CEO.

Table 6.2 - Differences in perceptions of effectiveness between types of respondents

	Directors vs all managers	CEOs vs Directors	Directors vs senior managers
Differences in perception of effectiveness	•Strategy •Compliance management •Engaging with and advising senior management •Establishing the boundaries of management activity •Monitoring management activities	•Risk management •Stakeholder management •Ensuring appropriate governance in place	•Managing the CEO's performance
No differences in perception of effectiveness	•Managing the CEO's performance •Risk management •Stakeholder management •Ensuring an appropriate governance system	•Strategy •Managing the CEO's performance •Compliance management •Engaging with and advising senior management •Establishing the boundaries of management activities •Monitoring management's activities	•Strategy •Risk management •Compliance management •Stakeholder management •Ensuring appropriate governance in place •Engaging with and advising senior management •Establishing the boundaries of management activities •Monitoring management's activities

Interestingly, senior managers had a strong and significant link between establishing the boundaries for management and perceptions of board performance. When we examined the results for all managers, there was still a strong emphasis on the interaction with management (both boundary establishment and advice giving were significant) and there was also a recognition of the importance of the strategy function.

As well as asking about the effectiveness of the board across a range of nine dimensions, we also asked each respondent to rate the overall performance of their board. We were then able to regress perceptions of effectiveness of each dimension on the the overall board's performance; in short, what was the perceived link between board performance and each dimension of performance.

These results are the most telling of the research. While all nine dimensions we examined loaded well onto a single factor (board effectiveness), they do not contribute equally to perceptions of board performance.

First, Table 6.3 highlights that the strategy role is perceived by all classes of respondents as the most important link between board effectiveness and board performance. After that, the results point to a divergence in views. Managers appear to value the contribution of the board to their own (i.e. management's) performance (dimensions 7 and 8) through establishing boundaries within which management is to operate and engaging with and advising the CEO and senior management. In contrast, directors see more "whole of business" roles (such as stakeholder management, risk management and stakeholder management) as important. The differences between executive and nonexecutive directors is around the risk management function and managing the CEO's performance. Interestingly, there was no statistically significant relationship between any respondent group and monitoring of management or compliance management as contributing to overall board performance, perhaps because there are largely viewed as minimum or hygiene factors.

Understanding board effectiveness is a difficult task. This research is an important first step as it provides a multi-dimensional view of what it takes to be an effective board. It also highlights how perceptions between various actors in a governance system differ with respect to these dimensions and shows that these actors believe different dimensions are more important indicators of a board's overall performance. As we would expect, strategy is universally seen as an important component of performance. Managers perceive how board interacts with them as fundamental to their perceptions of board performance. In contrast, directors see their roles with stakeholders and overall risk as more important.

Table 6.3 - Summary of relationships between effectiveness dimensions and ratings of overall board performance

	Effectiveness dimension	Nonexec directors	Exec directors	All directors	CEO/ MD	Senior managers	All managers	All mgrs & dirs
1	Strategy	**0.331**	**0.421**	**0.363**	**0.34**	**0.265**	**0.343**	**0.366**
2	Managing the CEO's Performance		**0.241**	**0.158**				**0.15**
3	Risk management		**0.196**	**0.155**				**0.104**
4	Compliance management							
5	Stakeholder management	**0.169**		**0.119**				**0.065**
6	Ensuring an appropriate governance system is in place and operative							
7	Engaging with and advising the CEO and/or senior management team				**0.179**		**0.148**	**0.099**
8	Establishing the boundaries of management's activities			**0.113**	**0.14**	**0.286**	**0.185**	**0.161**
9	Monitoring management's activities and results and taking remedial action where necessary							
	n	**106**	**83**	**190**	**83**	**61**	**145**	**338**
	R^2	**0.61**	**0.71**	**0.63**	**0.71**	**0.62**	**0.67**	**0.67**

Section 7: Involvement in governance change

To better understand the respective roles of board and management, we undertook two key tasks in the research project. First, we administered surveys to both managers and directors to try and ascertain any differences in views as to what was the role of the board and how boards control (or don't control) organisations. These results are reported ins section 5 and relationships to performance are investigated in section 10. The second task was to try and understand what was the respective involvement of managers and directors in driving corporate governance changes in organisations.

Figure 7.1 - Involvement rating for initiating or championing rating for seven different categories of governance personnel

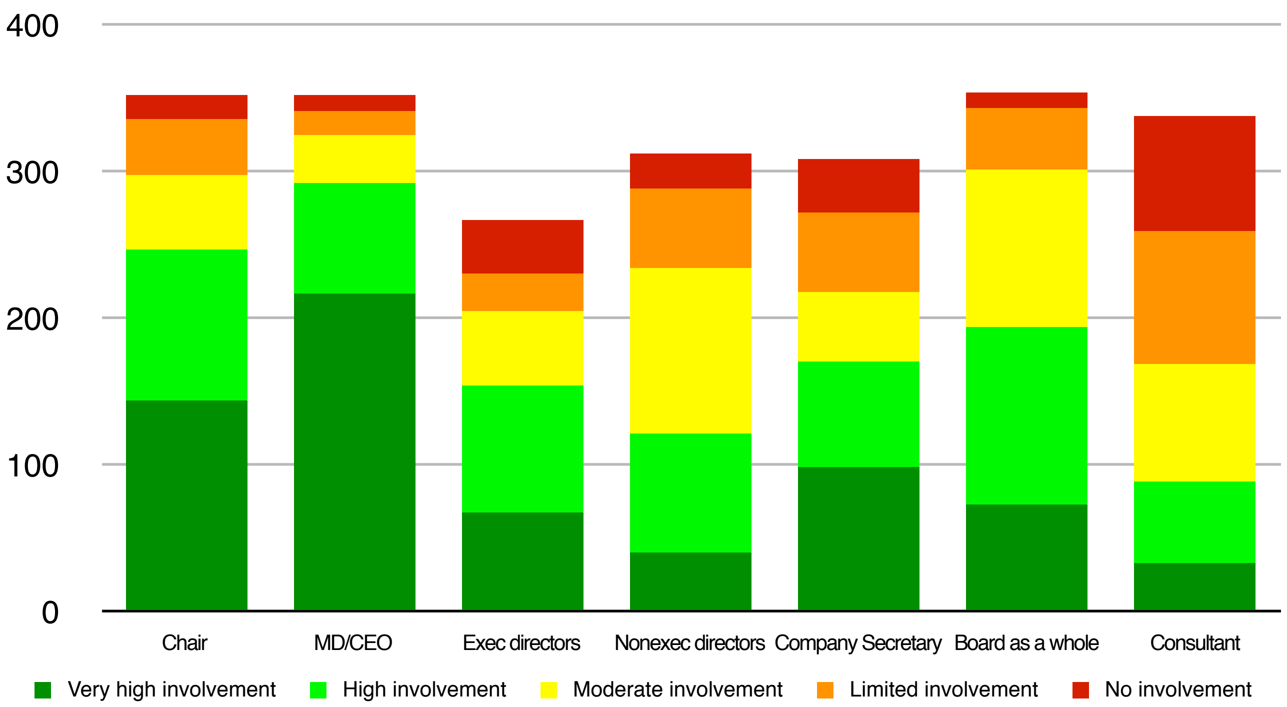
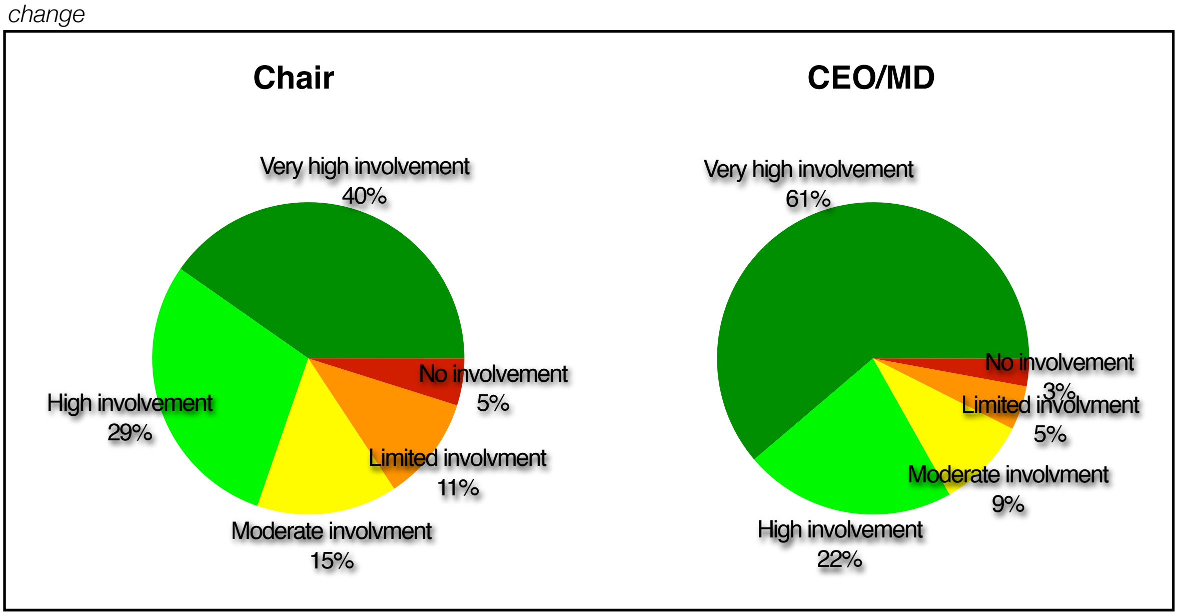


Figure 7.1 clearly highlights that the various governance positions (and group in the case of the board as a whole) have varying degrees of involvement in advancing the governance agenda. The two key positions are, as we would expect, the Chair and the CEO/MD. Interestingly, the nonexecutive director involvement is lower than we anticipated.

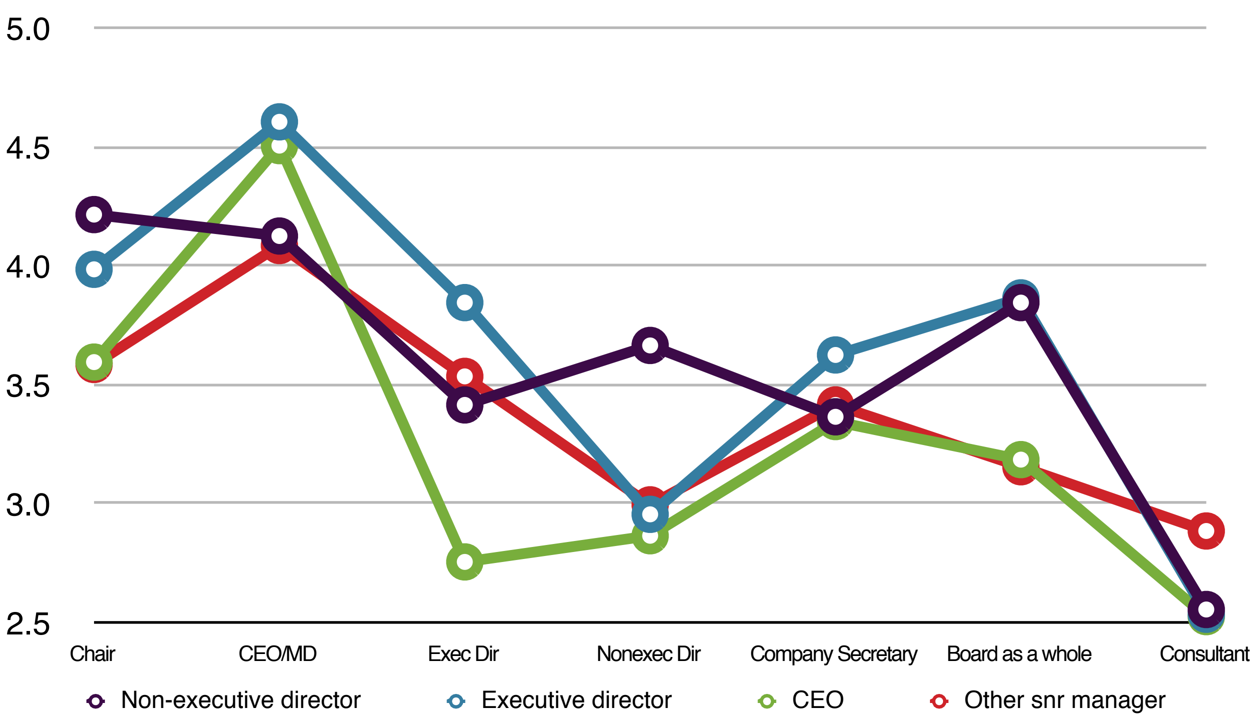
Figure 2 - Comparison of involvement of Chairs and CEO/MDs in initiating or championing governance change



A direct comparison of the involvement of the two leading positions, Chair and CEO/MD, highlights the relative greater involvement of the CEO/MD position. As Figure 7.2 highlights, the CEO/MD was reported to be highly or very highly involved by some 83% or respondents compared with only 69% of Chairs. Strikingly, the CEO/MD was more than 50% more likely to be rated as very highly involved in initiating or championing governance change compared with the Chair (61% compared to 40%). This comparison highlights the relative importance of the key management position to governance change.

To better understand if the type of respondent influenced these trends, we analysed the patterns of responses across the type of respondent (i.e. whether the person answering was a nonexecutive director, executive director, CEO or other senior manager). Figure 7.3 provides the mean rating of involvement for each category of governance personnel as rated by the four types of respondent. This snapshot highlights possible perceptions in biased ratings (or understanding of involvement) - respondents tend to rate their own category of governance position as more involved than other governance personnel do. For instance, nonexecutive directors mean involvement is more than half a point higher than the three other categories of respondent. This pattern is evident across the entire data set.

Figure 7.3 - Mean rating of various governance personnel in initiating or championing governance change

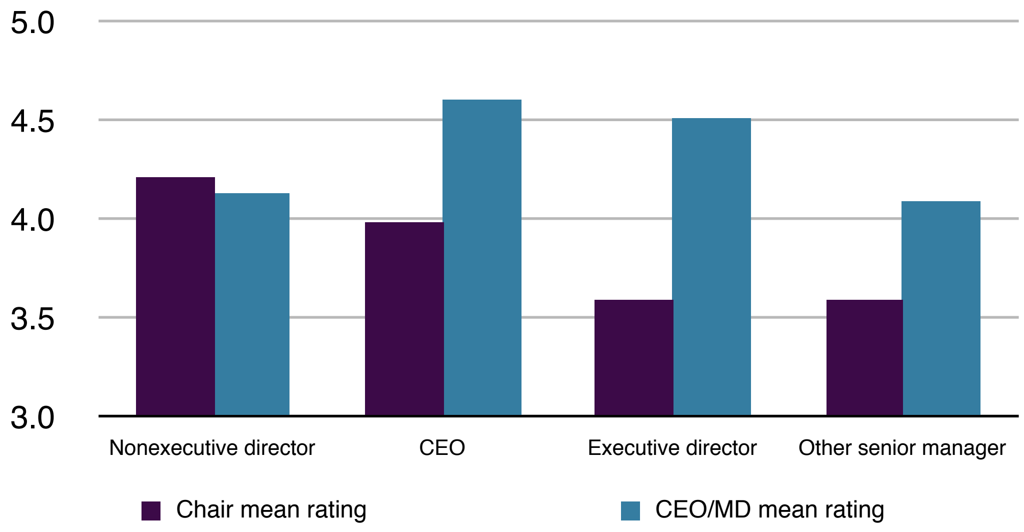


Finally, we sought to better understand the differences in perceptions for the two key roles of Chair and CEO/MD in initiating and driving governance change. Figure 4 provides a comparison of the mean rating across the four respondent groups (i.e. nonexecutive director, executive director, CEO or other senior managers).

As Figure 7.4 clearly highlights, CEOs, executive directors and other senior managers rate the involvement of CEO/MD's significantly higher than the Chair. Nonexecutive directors were the only group that did not follow this pattern, but even in this respondent group the difference in mean rating was marginal. Thus, the data indicates that CEO/MD's are rated at least as important in initiating or championing governance change as the Chair.

While these results are interesting, there are two key caveats about interpreting the results. FIrst, we need to be careful of interpreting the question as it was (intentionally) double barreled - the responses indicate initiation AND/OR championing. Given the full-time nature of executive (versus non-executives) and the crucial impact of governance on management's capacity to lead the organisation, we would expect there to be involvement. Nevertheless, the results document (to our knowledge, for the first time) the importance of management to corporate governance - a hitherto under-researched area. Second, we were not looking at the effectiveness of any interventions - whether changes initiated/championed by managers were more or less successful than boards. Indeed, some commentators would see too much management involvement as problematic to governance.

Figure 7.4 - Comparison of mean rating for initiating or championing governance change by respondent type



While there is still much to learn (for instance, how do CEOs and managers actively undertake this “championing” role? What factors make management involvement more or less likely? and so on), this research is an important first step in understanding how our corporations are really governed.

Section 8: Performance and Collaboration

Since our research was interested in determining relationships between what boards do and perceptions of performance, used a series of questions aimed at measuring participants' perceptions of board, management and firm performance. We were also interested in the level of collaboration between the board and management. The results of these surveys are provided in the following charts.

Participant self-ratings of performance

Figure 8.1 Respondent ratings of board performance

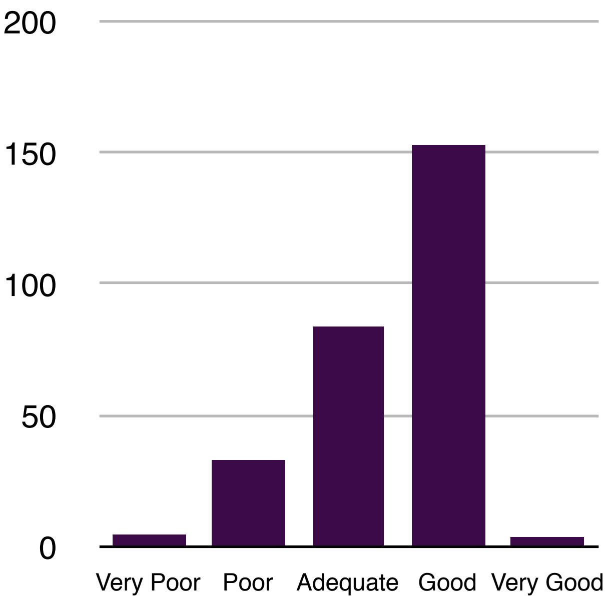


Figure 8.2 Respondent ratings of management performance

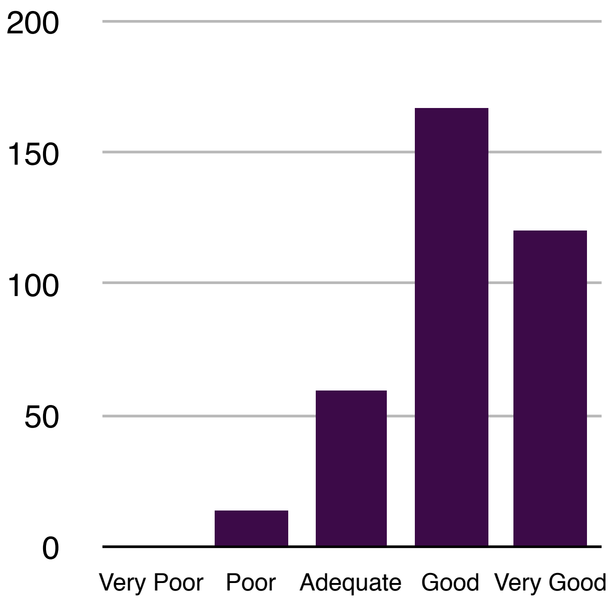
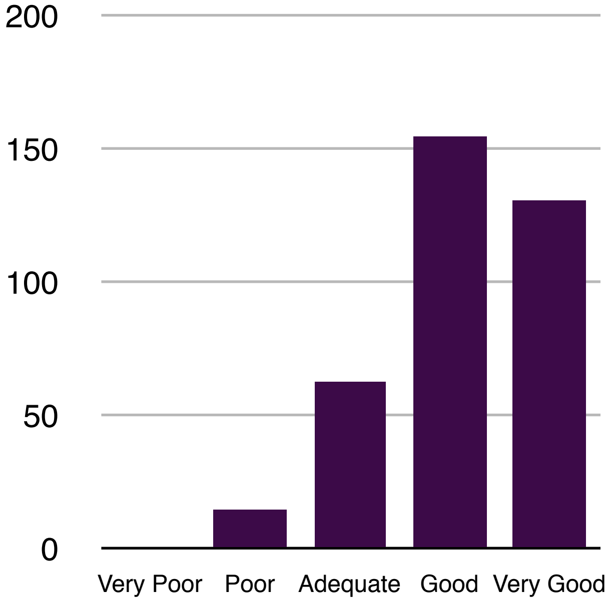


Figure 8.3 Respondent ratings of overall organisational performance



Participant self-ratings of board-management collaboration

As figure 8.4 highlights, In terms of collaboration between management and the board, few participants reported a “poor” or “very poor” response and the most frequent response was “very good”. This quality of collaboration, however, cannot be equated with frequency of collaboration. There was a wide range of frequency responses, with the response 2-3 times per year being the category most cited by our participants.

Figure 8.4 Respondent ratings of quality of board management collaboration

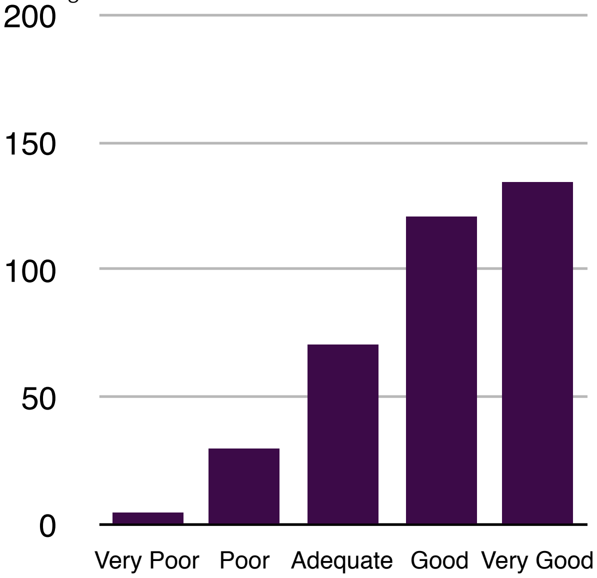
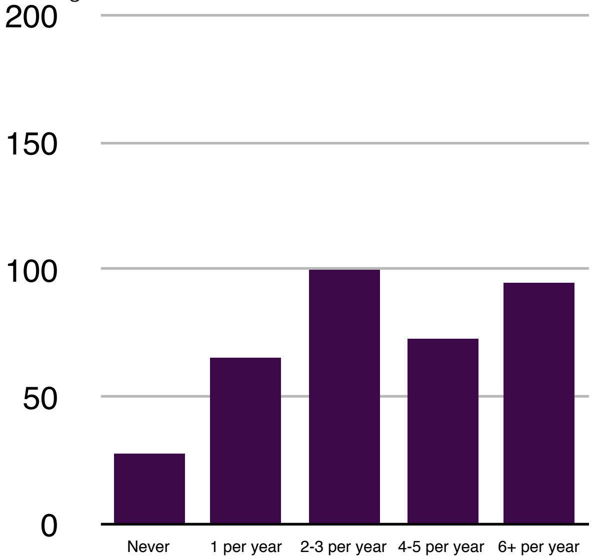


Figure 8.5 Respondent ratings of frequency of board management collaboration



Section 9: The relationships between perceptions of board roles and perceptions of performance

With an established role set, we next sought to establish if there were any links between perceptions of board role performance and perceptions of performance. To test these relationships we regressed our measures of board roles on three different measures of performance (items F1, F2 and F4 reported in section 8). We were especially interested in understanding if these perceptions varied by participant type (i.e. whether the person responding was a nonexecutive director, executive director, CEO or senior manager) and by organisational attribute (i.e. by size of organisation and diversification) and the type of organisation (i.e. government owned corporation, proprietary company, public company (unlisted), public company (listed) or nonprofit). All up we carried out 42 regression analyses which are summarised in the tables following.

In essence, the research indicates that different personnel in the governance structure perceive the execution of different roles as important to different aspects of performance. All participants see the board's performance of the strategy role as important. Managers typically see the board's role as providing access to resources and to oversight and development of the management team as important, while nonexecutive directors emphasise more whole of system roles such as policy as important.

Relationships between perceptions of board role performance and overall board performance

Table 9.1 highlights the pattern of relationships between the perceptions of performance across the board roles with the perceptions of overall board board performance. FIrst, it is clear that strategy is seen as central to good board performance across all categories of participants. It was significant at the .01 level for all except nonexecutive directors, where it was significant at the .05 level. Similarly, most participants perceived that a board's ability to link the organisation with the resources it needs was related to perceptions of the board's performance. Interestingly, nonexecutive directors did not appear to perceive this relationship. Instead, nonexecutive directors saw their policy role as important, as did the grouping of all directors. Interestingly no grouping of management revealed a significant relationship between policy and board performance.

Table 9.1 Summarised results of regressions of perception of board role performance on board performance by respondent type.

Board Role	All Participants	Nonexecutive Directors	All Directors	CEO's and senior managers	All Managers
Strategy	0.379	0.32	0.255	0.464	0.425
Risk and Compliance					
Policy	0.119	0.325	0.232		
Access to resources	0.162		0.138	0.176	0.188
Oversight & development	0.117				0.116
n	355	107	202	150	245
Model R^2	0.51	0.43	0.46	0.48	0.52

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

Table 9.2 provides a summary of a similar analysis based on a firm's attributes, namely if the firm was large (i.e. more than 500 employees) or small (less than 500 firms). We also examined differences between diversified firms (firms that operated in more than one industry) and firms that contained a single business unit. These analyses appear to indicate that the strategy is considered important across all types of companies. Access to resources was seen as important in small firms and in undiversified firms and the policy role was considered important in large firms and diversified firms. Interestingly, boards of small firms and of diversified firms are seen to add value by working with and through the CEO.

These results would appear to indicate that management of smaller, focused firms have less access to business networks and see the board as an important resource to carry out this role. It would also appear that as the firm becomes larger and more complex (diversified) the board is seen to play an important role in developing an overarching governance policy for the organisation. In terms of the CEO role, the results may suggest that CEOs of smaller firms benefit from the board's input and oversight as a result of the limited resources available to their firms. In the case of diversified firms, the importance of the board's role in overight of the CEO is driven by the complexity of the organisation - more complex organisations provide the opportunity to the board to contribute directly to the CEO's performance.

Table 9.2 Summarised results of regressions of perception of board role performance on board performance by organisation type.

Board Role	All	Large (>500 employees)	Small (>500 employees)	Diversified	Single Business
Strategy	0.379	0.455	0.375	0.34	0.396
Risk and Compliance					
Policy	0.119	0.265		0.192	
Access to resources	0.162		0.215		0.237
Oversight & development	0.117		0.153	0.189	
n	355	78	276		
Model R^2	0.51	0.54	0.51	0.49	0.53

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

Table 9.3 provides a highlights differences in perceptions of relationships between board role performance and overall board performance differs across types of firm. In government owned corporations, proprietary companies and nonprofits the strategy role is clearly associated with higher perceptions of board performance. Similrly, respondents from these three types of firms perceive a positive association between the policy role and board performance. Nonprofits also see working with and through the CEO as positively related to board performance. In contrast, there was no significant relationship between role performance and overall performance for unlisted public companies an in listed public companies, only the risk and compliance role was positively associated with perceptions of board performance. This may be due to the high levels of regulation and risk management required by this particular context.

Table 9.3 Summarised results of regressions of perception of board role performance on board performance by legal structure

Board Role	All	Gov't Owned	Pty Ltd	Ltd (Unlisted)	Ltd (Listed)	NFP
Strategy	0.379	0.570	0.492			0.291
Risk and Compliance					0.429	
Policy	0.119	0.216	0.225			0.14
Access to resources	0.162					
Oversight & development	0.117					0.194
n	355	37	103	30	34	117
Model R^2	0.51	0.62	0.5	0.62	0.22	0.52

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

Relationships between perceptions of board role performance and overall organisational performance

The next series of analyses examine the relationships between board role performance and overall organisational performance. Strategy and policy are clearly the perceived key roles with an effect on organisational performance. There is a noticeable trend that managers perceive the strategy role as more important than policy and vice versa for directors, particularly non-executive directors.

Table 9.4 Summarised results of regressions of perception of board role performance on organisational performance by respondent type.

Board Role	All Participants	Nonexecutive Directors	All Directors	CEOs and senior managers	All Managers
Strategy	0.322		0.256	0.379	0.351
Risk and Compliance					
Policy	0.158	0.325	0.206		0.132
Access to resources					
Working through CEO					
n	357	107	202	152	247
Model R^2	0.16	0.17	0.14	0.17	0.16

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

In terms of company organisation context, there was a consistent reporting of a positive relationship between the boards' performance of the strategy role and perceptions of organisational performance. There was also a perception among participants from small firms and diversified firms that the performance of the policy role was positively associated with perceptions of organisational performance.

Table 9.5 Summarised results of regressions of perception of board role performance on organisational performance by organisation type.

Board Role	All	Large (>500 employees)	Small (>500 employees)	Diversified	Single Business
Strategy	0.322	0.456	0.327	0.289	0.321
Risk and Compliance					
Policy	0.158		0.178	0.309	
Access to resources					
Working through CEO					
n	357	79	277	155	201
Model R^2	0.16	0.26	0.14	0.18	0.14

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

Examining the results for different types of company, we see some similiarities in the pattern of results, but also some notable differences. First, but unlisted and listed public companies as well as nonprofits perceive a positive relationship between the strategy role and perceptions of organisational performance. Policy was perceived by private companies as the only significant role influence on organisational performance. Perhaps most interestingly, listed companies perceived the risk and compliance role as positively associated with organisational performance, perhaps as a consequence of the highly regulated and risky environment they face. Finally, there was a strong negative relationship between access to resources and perceptions of organisational performance for unlisted companies. There were no significant relationships between board role execution and perceptions of organisational performance for government owned corporations.

Table 9.6 Summarised results of regressions of perception of board role performance on organisational performance by organisation type.

Board Role	All	Gov't Owned	Pty Ltd	Ltd (Unlisted)	Ltd (Listed)	NFP
Strategy	0.322			0.704	0.593	0.363
Risk and Compliance					0.341	
Policy	0.158		0.554			
Access to resources				-0.644		
Working through CEO						
n	357	38	104	30	34	117
Model R^2	0.16	0.02	0.31	0.39	0.38	0.11

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

Relationships between perceptions of board role performance and overall management performance

The next series of tables summarise the analysis of relationships between perceptions of board role performance and management performance. Turning to the relationships as perceived by different participant types, there is a consistently reported relationship between the strategy role of the board and perceptions of management performance. Interestingly, directors (including executive directors) appear to perceive a relationship between their policy role and overall management performance.

Table 9.7 Summarised results of regressions of perception of board role performance on management performance by respondent type.

Board Role	All Participants	Nonexecutive Directors	All Directors	CEOs and senior managers	All Managers
Strategy	0.329	0.276	0.258	0.36	0.343
Risk and Compliance					
Policy	0.169	0.239	0.19		0.145
Access to resources					
Working through CEO					
n	357	107	202	152	247
Model R^2	0.13	0.11	0.12	0.07	0.1

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

The pattern of results for different organisational contexts was similar. Participants from all the different categories of organisation context reported a positive relationship between the strategy role and perceptions of management performance. Both small firms and diversified firms reported that the policy role of the board was also positively related to perceptions of management performance. Interestingly, large firms and diversified firms perceived a greater impact on the management from the board's role performance than their smaller, focused counterparts with the explanatory power of their models 2.5 to 5 times greater.

Table 9.8 Summarised results of regressions of perception of board role performance on management performance by organisation context.

Board Role	All	Large (>500 employees)	Small (>500 employees)	Diversified	Single Business
Strategy	0.329	0.564	0.283	0.309	0.316
Risk and Compliance					
Policy	0.169		0.163	0.34	
Access to resources					
Working through CEO					
n	357	79	277	155	201
Model R^2	0.13	0.3	0.08	0.2	0.06

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

The final table in this series presents the results of analysis of the relationships between board roles and perceptions of management performance by organisation type. Results are not as robust in this analysis, although again strategy comes across as a key role.

Table 9.9 Summarised results of regressions of perception of board role performance on management performance by organisation type.

Board Role	All	Gov't Owned	Pty Ltd	Ltd (Unlisted)	Ltd (listed)	NFP
Strategy	0.329	0.448		0.826		0.391
Risk and Compliance				-0.46		
Policy	0.169		0.431			
Access to resources						
Working through CEO					-0.303	
n	357	38	104	30	34	117
Model R^2	0.13	0.11	0.2	0.43	0.32	0.09

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

Section 10: The relationships between perceptions of board focus and perceptions of performance

The final section of this report investigates the relationship between perceptions of how the board controls the organisation and perceptions of performance.

Relationship between control method and perceptions of board performance

Table 10.1 presents the results of a series of regressions of the two factor control model outlined in section 5 on perceptions of board performance. Clearly, collaborative strategising is strongly and significantly related to perceptions of board performance. In contrast, the only relationships between procedural strategising and board performance are consistently negative, but not universally so. There is also a reasonable degree of explanatory power in all the models.

Table 10.1 Summarised results of regressions of perception of board focus on board performance by respondent type.

Board Focus	All Participants	Nonexecutive Directors	All Directors	CEO's and senior managers	All Managers
Collaborative Strategising	0.6	0.528	0.536	0.601	0.613
Procedural Strategising	-0.116	-0.136		-0.131	-0.094
n	359	108	205	151	248
Model R^2	0.39	0.28	0.3	0.39	0.4

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

The pattern of relationships is similar when we look at the different organisation types in the sample. Again collaborative strategising was strongly and positively related to perceptions of board performance. Similarly to the test of respondent type, diversified and large firms perceive a significant negative relationship between procedural strategising and perceptions of board performance.

Table 10.2 Summarised results of regressions of perception of board focus on board performance by organisation type.

Board Focus	All	Large (>500 employees)	Small (>500 employees)	Diversified	Single Business
Collaborative Strategising	0.6	0.609	0.591	0.598	0.608
Procedural Strategising	-0.116	-0.232		-0.179	
n	359	81	277	156	202
Model R^2	0.39	0.48	0.36	0.39	0.38

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

The final series of analysis of relationships with board performance sought to understand if company type affected the relationship. Broadly interpreted, the results appear to indicate there is limited difference in the relationships across company types. Specifically, collaborative strategisingl was strongly and positively correlated with perceptions of board performance whereas procedural strategising was negatively related to perceptions of board performance, but only for unlisted public companies and nonprofit organisations. Perhaps the most interesting result of this regression was the very strong relationship between collaborative strategising and perceptions of board performance in government owned corporations, with this relationship accounting for more than half of the variation in the board performance measure.

Table 10.3 Summarised results of regressions of perception of board focus on board performance by respondent type.

Board Focus	All	Gov't Owned	Pty Ltd	Ltd (Unlisted)	Ltd (Listed)	NFP
Collaborative Strategising	0.6	0.701	0.577	0.65	0.577	0.572
Procedural Strategising	-0.116			-0.254		-0.145
n	359	38	104	31	34	117
Model R^2	0.39	0.53	0.34	0.45	0.33	0.36

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

Relationship between control method and perceptions of organisational performance

The next series of analysis sought to investigate the relationships between perceptions of control method and organisational (as opposed to board) performance. The results are presented in tables 10.4 to 10.6.

The pattern of results for organisational performance is generally similar to that of board performance. All respondent types report a significant and positive relationship between collaborative strategising and perceptions of organisational performance. There were also significant negative relationships between procedural strategising and perceptions of organisational performance from the management respondents (with a relationship between executive directors most likely caused the significant but weak relationship reported in all directors). As would be expected, there was a much lower explanatory power in this model - there are many more things than a boards control focus that influence organisational performance. Interestingly, it appears that managers perceive the control function as having double the explanatory power (.16) than do board members (.08)

Table 10.4 Summarised results of regressions of perception of board control focus on organisational performance by respondent type.

Board Focus	All Participants	Nonexecutive Directors	All Directors	CEO's and senior managers	All Managers
Collaborative Strategising	0.337	0.285	0.294	0.369	0.357
Procedural Strategising			-0.04	-0.153	-0.105
n	361	108	205	153	250
Model R^2	0.13	0.07	0.08	0.16	0.14

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

As with the results for by respondent, table 10.5 highlights the relationship between collaborative strategising and perceptions of organisational performance. Further, both large and diversified firms reported a negative relationship between procedural strategising by the board and perceptions of organisational performance. This is a surprising result, as the literature on multi-business unit strategy would suggest a positive a relationship in more complex operating environments.

Table 10.5 Summarised results of regressions of perception of board control focus on organisational performance by organisation context.

Board Focus	All	Large (>500 employees)	Small (>500 employees)	Diversified	Single Business
Collaborative Strategising	0.337	0.368	0.321	0.356	0.332
Procedural Strategising		-0.194		-0.179	
n	361	82	278	156	204
Model R^2	0.13	0.185	0.1	0.17	0.1

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

In terms of differences by company type, table 10.6 highlights that collaborative strategising was again seen as the key variable associated with perceptions of organisational performance. Surprisingly, government owned corporations did not have any significant relationships between board control focus and perceptions of organisational performance. There was also a wide variability in explanatory power - from .07 to .29.

Table 10.6 Summarised results of regressions of perception of board focus on organisational performance by company type.

Board Focus	All	Gov't Owned	Pty Ltd	Ltd (Unlisted)	Ltd (Listed)	NFP
Collaborative Strategising	0.337	n.s.	0.424	0.305	0.551	0.347
Procedural Strategising		n.s.				
n	361	39	105	31	34	
Model R^2	0.13	0.06	0.18	0.07	0.29	0.11

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

Relationship between control method and perceptions of management team performance

The relationships between board control focus and perceptions of management performance form a similar, but weaker pattern. All models have a low explanatory power and the relationship for managers (i.e. CEOs and senior managers) is marginal at p<.1. In all cases, collaborative strategising is positively related to perceptions of management performance and there are no significant relationships between procedural strategising and perceptions of management performance across any group.

Table 10.7 Summarised results of regressions of perception of board control focus on management performance by respondent type.

Board Focus	All Participants	Nonexecutive Directors	All Directors	CEOs and senior managers	All Managers
Collaborative Strategising	0.261	0.319	0.322	0.163	0.231
Procedural Strategising					
n	360	108	204	153	249
Model R^2	0.07	0.09	0.09	0.025	0.06

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

The pattern of results across different organisational context is slightly different. While respondents from all organisational contexts perceive a positive relationship between collaborative strategising and management performance, large firms and diversified firms also perceive a negative relationship between procedural strategising and management performance. Boards that concentrate more on financial goals in these types of companies are perceived to be associated with lower ratings of management performance. Also of interest is the differences in explanatory power of the model across organisation type. This indicates that large firms perceive the board's control focus as being more closely associated with perceptions of management performance than other forms of companies.

Table 10.8 Summarised results of regressions of perception of board control focus on management performance by organisation context.

Board Focus	All	Large (>500 employees)	Small (>500 employees)	Diversified	Single Business
Collaborative Strategising	0.261	0.344	0.23	0.279	0.256
Procedural Strategising		-0.231		-0.139	
n	360	82	277	156	203
Model R^2	0.07	0.19	0.05	0.09	0.06

Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

The final analysis examines the relationship between type of company and perceptions of management performance. The pattern is similar to that of earlier anlaysis in that collaborative strategising focus is seen as the control focus related to perceptions of management performance across company types, but interestingly there is a much wider spread of explanatory power in the models and several of the models are only significant at a lower threshold.

Table 10.9 Summarised results of regressions of perception of board focus on management performance by company type.

Board Focus	All	Gov't Owned	Pty Ltd	Ltd (Unlisted)	Ltd (Listed)	NFP
Collaborative Strategising	0.261	0.328	0.257	0.484	0.456	0.201
Procedural Strategising						
n	360	39	104	31	34	117
Model R^2	0.07	0.12	0.07	0.19	0.2	0.03

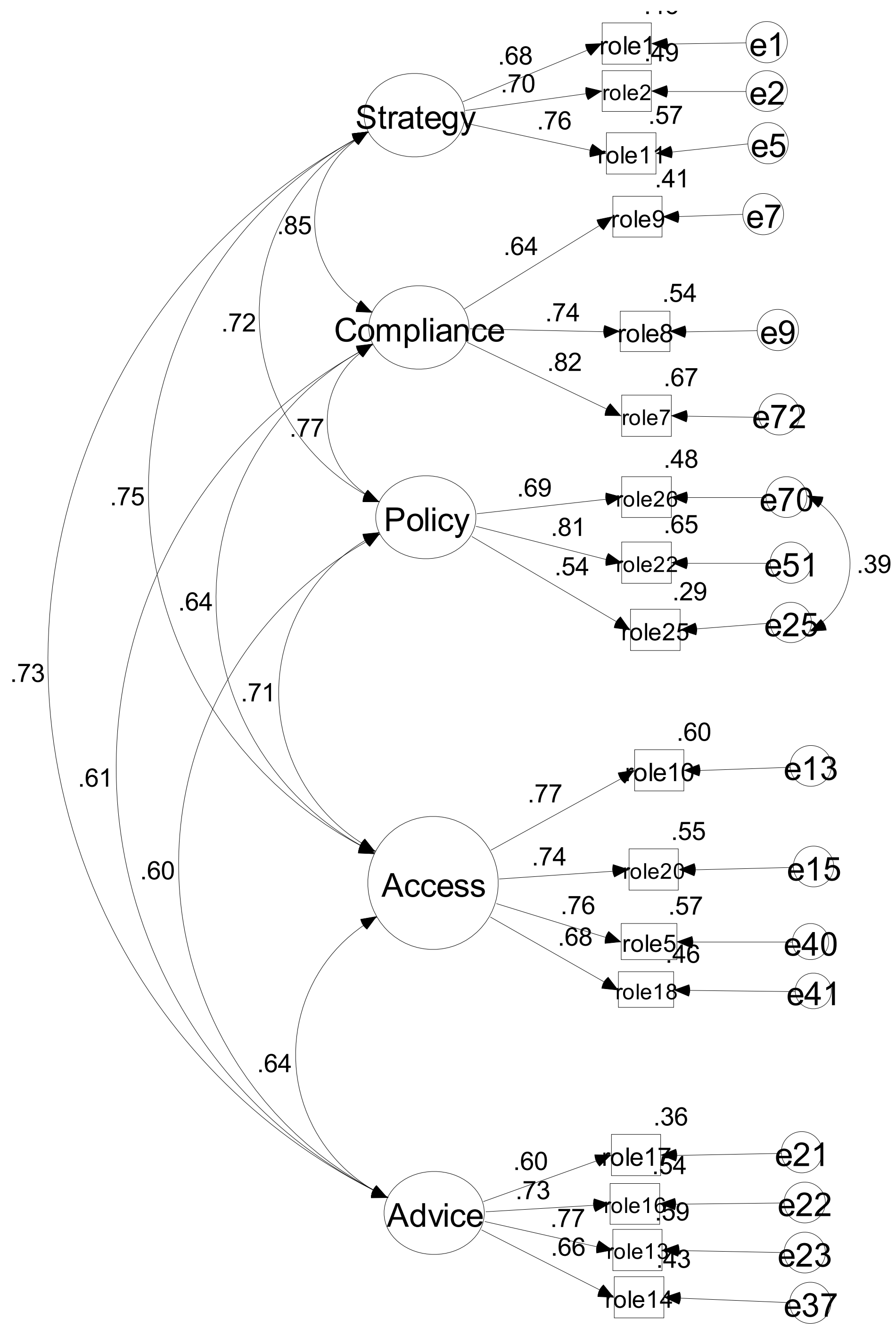
Indicates significant at p<.01
Indicates significant at p<.05
Indicates significant at p<.10
Numbers in the square indicate standardised Beta values
Model R^2 is Adjusted R^2

Appendix One:

Confirmatory Factor Analysis Model for Board Roles

Confirmatory Factor Analysis was conducted on the data revealing a good fit of the data to the model. Goodness of fit indices:

Comparative fit index: ! .94
RMSEA ! ! ! .06
SRMR: ‼ ! ! .05



Appendix Two:

Confirmatory Factor Analysis Model for Board Control Focus

Confirmatory Factor Analysis was conducted on the data revealing a good fit of the data to the model. Goodness of fit indices:

Comparative fit index:	.97
RMSEA	.06
SRMR:	.04