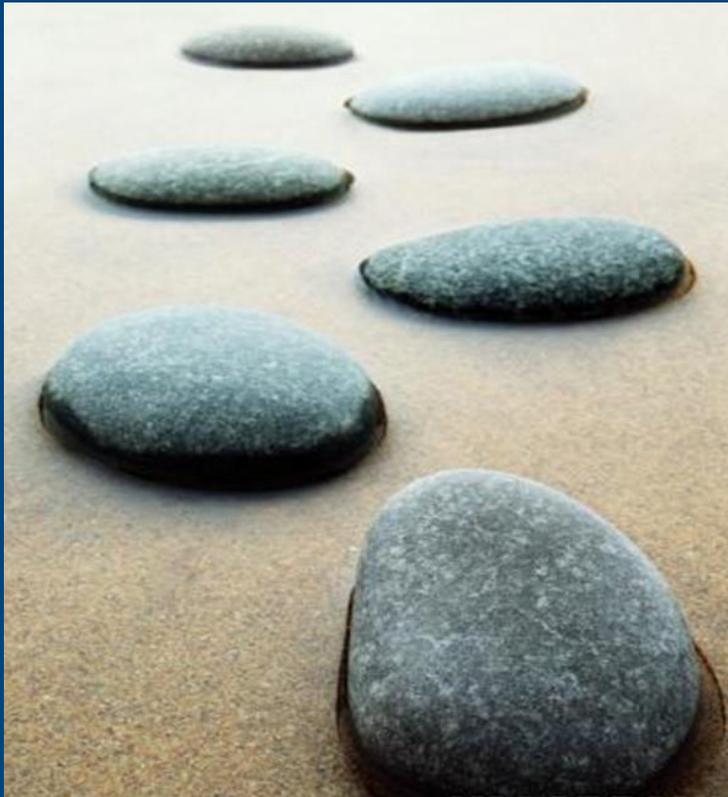


# **Corporate Governance and Leadership: The Board as the Nexus of Leadership-in-Governance**

**Ljiljana Erakovic**  
*(on behalf of the L&G Team)*

**The PhD Workshop on Value Creating Boards  
Witten/Herdecke University  
1-3 July 2016**

# Session Overview



- Genesis of the research project
- Changes in the research project
- Current research
- Two case study findings
- What have we learned so far?

# Genesis of Research

Leadership-in-governance  
framework:

- Team leadership on the board
- The chair's leadership of the board
- Strategic leadership by the board.

Initiated by Brad Jackson and  
Ljiljana Erakovic in 2012



## The research is informed by

- The behavioural perspective on boards (value creating boards) (Huse, 2005, 2007; van Ees, Gabriellson & Huse, 2009; ...)
- The ‘Governance as leadership’ framework with three modes of governance (Chait, Ryan & Taylor, 2005)
- The concept of shared or team leadership (Jackson & Parry, 2008; Pearce & Conger, 2003; Vandewaerde, et al., 2011)

## Key conceptual linkages between leadership and governance

Intersecting processes	Main concepts		Research streams
	Governance	Leadership	
<b>Team Leadership of the Board</b>	Team production model, Boardroom culture, Collective decision-making, Board composition, Board working style	Group processes, Power relations, Personalities, Competence qualities, Shared transformational leadership	Actual board behaviour (Huse, 2005, 2007; van Ees et al., 2009); Collective leadership (Burns, 1978; Bass, 1998; Locke, 2003); Leaderless work-groups (Barker, 1993)
<b>Chair Leadership on the Board</b>	Directors' roles, Governance processes and structures, Chair-CEO relationship	Facilitation, Relationship building, Motivation, Trust, Transactional leadership, Collaboration	Authentic Leadership (Avolio & Gardner, 2005); Transactional Leadership (Bass & Avolio 1990); Co-leadership (Heenan & Bennis 1999); Board Leadership (Leblanc, 2005; McNulty et al., 2011)
<b>Strategic Leadership by the Board</b>	Board roles, Board effectiveness, Board involvement, Stewardship, Accountability	Empowerment, Leadership style	Board and value creation (Huse, 2009); Board involvement in strategy (McNulty & Pettigrew, 1999; Hendry & Kiel, 2004)

# Initial (original) Project

## Opening Up the Black Box: Exploring the Crucial Interface Between Poor Leadership and Bad Governance in Australasian Organisations

**General goal:** to promote a novel interdisciplinary approach that integrates both leadership and governance concerns as well as their perspectives.

**Specific goal:** to identify leadership or governance failures by boards that have led to decision making that may not just be poor but in fact disastrous in some form.

**Research design:** study of Judgments and Royal Commission Reports produced with Australia and New Zealand in order to identify the decision-making processes pursued by directors.

**Outputs:** a number of teaching and research case studies.

# The Research Team

- **Brad Jackson** – Professor of Public and Community Leadership, School of Government, Victoria University at Wellington
- **Ljiljana Erakovic** – Principal Investigator, Associate Professor, Department of Management and International Business, University of Auckland
- **Chris Noonan** – Associate Professor, Faculty of Law, University of Auckland
- **Susan Watson** – Professor of Law and Deputy Dean, Faculty of Law, University of Auckland
- **Monique Cikaliuk** – Research Fellow, New Zealand Leadership Institute, University of Auckland

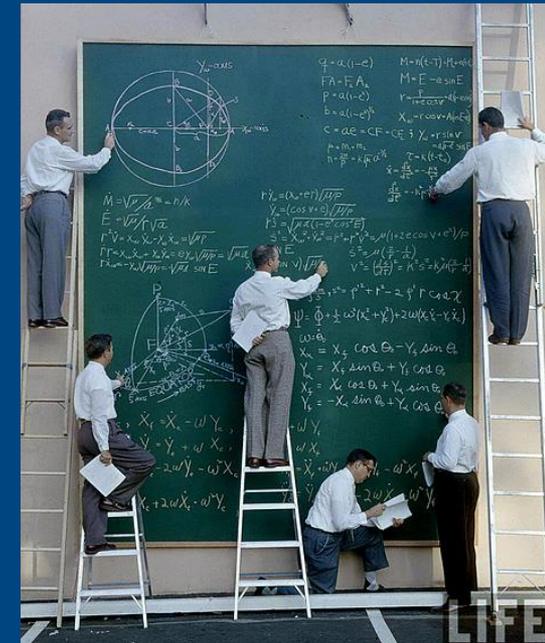
# Turnaround

- An unexpected guest at the team meeting
- Potential access to a prominent New Zealand company
- Change in the focus: **modified from bad governance and poor leadership among boards to include good governance and strong leadership**
- Change in the research design:  
**primary sources  
(interviews and observations)**
- Change in the outputs:  
**case studies + a book +  
academic journal papers**



# Back to the Drawing Board ...

- Gaining approval from the University Ethics Review Committee
- Negotiating our entry to the boards of a number of New Zealand large organisations with different ownership structures
- Conducting interviews (80 in total)
- Developing a book proposal



## The Research so far ... (Board's Role in ...)

- **Air New Zealand** – CEO succession process
- **Bank of New Zealand** – diversity strategy
- **Auckland International Airport** – strategic transformation
- **Genesis Energy** – IPO (privatisation)
- **Briscoe's Group** – 'managing' the founder
- **Solid Energy** – managing shareholder relationships
- **BECA** – internal vs. independent directors
- ... several SMEs

# Air New Zealand – CEO successions 2002-2014

“The appointment of the right CEO is the most important decision that as a director you’ll ever make.” *(ANZ Chair)*

- Board leadership for a climate of continuous CEO succession planning
- Board leadership for strategic engagement and adaptation
- Board leadership for alignment of decisions



# BNZ – Board and the bank’s diversity strategy

“The BNZ is so far out in front on diversity. It comes from the board and it comes from the CEOs who believe diversity is the way to commercial success”. (*BNZ Chair*)

Board leadership in initiating the diversity strategy

“It is not a diversity strategy, it is a business strategy”. (*BNZ CEO*)

Board of directors commitment to modelling the way

Board leadership in formalizing the strategy



# What we are learning about the boards

- Four distinct **relationships** in which board leadership is exercised: among directors, with shareholders, through management, and with key stakeholders
- The board bears **principal responsibility** for aligning or challenging formal governance accountabilities
- Leadership may flow in **both the same direction and against** formal accountabilities envisaged in traditional views of governance.

# What we are learning about research

- The importance of **understanding different points of view** (an open mind approach)
- **Flexibility** and adaptability generate creativity
- It **takes time** to understand a problem and range of dimensions
- The importance of building **relationships**
- Should bridge the gap between **theory and practice**

