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The Roles of Boards of Directors in Omani Companies: A Study of Board Processes

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Copyright Statement

Declaration

I, Husam Basiddiq, hereby declare that this thesis and the work presented in it is entirely my own unaided work, except where explicit reference is made to the contribution of others. It is being submitted for the degree of Doctor of Philosophy at Nottingham Trent University. It has not been submitted before for any degree or examination in any other university.

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Abstract

This study draws on social comparison theory, persuasive arguments theory and power circulation theory to examine board processes in general and the factors affecting board decision-making processes in particular. Qualitative semi-structured interviews conducted with 34 outside directors serving on boards of companies listed on Oman's Muscat Securities Market revealed that outside directors influence board agendas and prepare for meetings in a number of ways, and that they interact with a range of constituents inside and outside the boardroom. Further, the interactions in the formal meetings are dynamic and multidimensional, affected by factors including the quality of information provided by the CEO/executive team, board knowledge, chair leadership skills, board/executive team relationships, the power held by individual directors, and aspects of the Omani culture. Informal processes have both positive and negative impacts on decision making; preparation interactions can increase efficiency, but political interactions undertaken to further vested interests or thwart the CEO/executive team create friction and lead to inefficient decision making. These informal processes are facilitated by directors' limited knowledge, social ties, and common interests. The study makes both empirical and theoretical contributions to the literature on boards of directors. First, it extends the empirical literature on board structural attributes and company outcomes by providing understanding of the processes by which outcomes are achieved. Second, it extends the empirical literature on board processes by examining board decision-making processes in general, providing a comprehensive framework for future research in this area, and offering evidence from a developing country, Oman. In terms of theoretical contribution, the study's deployment of the aforesaid theories, rather than concepts, to examine board processes enables a richer and deeper explanation of board processes and how decisions are eventually reached in formal meetings.

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Chapter 1
Introduction

1.1 Introduction

This research examines corporate governance in Oman, with particular focus on the role of the board of directors in companies listed on the Muscat Securities Market (MSM). Adams et al. (2010) argue that the role of the board varies from company to company, from a passive body, existing merely to satisfy a legal requirement, to an active force directing the company, or something between the two. In the corporate governance literature, boards are seen as supporting company-level outcomes through their performance of their monitoring and advisory roles (Tricker, 2012; Larcker and Tayan, 2011; Adams et al., 2010; OECD, 2004). The monitoring role is particularly emphasised in the economic literature (e.g., Coles et al., 2014; Raheja, 2005), much of which is underpinned by agency theory (Jensen and Meckling, 1976). This theory sees the board's role as being to monitor the CEO/executive team[1] in order to reduce the agency costs that are incurred as a result of the separation of ownership and control. Accordingly, this literature examines the role of boards in executives' appointment, assessment, compensation and turnover (Hermalin and Weisbach, 2003). In contrast, the management literature pays particular attention to the board's advisory role (e.g., Forbes and Milliken, 1999). This literature, which sees the board's role as being to support the CEO/executive team in strategy formulation and implementation, examines its role in strategic decision making and the provision of critical resources (Adams et al., 2010; Hillman and Dalziel, 2003).

[1] The CEO/executive team is defined in this study as senior company executives such as the Chief Executive Officer (CEO), general manager, Chief Financial Officer (CFO), etc.

In both the economic literature (e.g., Mangena et al., 2012; Elsayed, 2007; Core et al., 1999) and the management literature (e.g., Payne et al., 2009; Peng, 2004), extensive empirical research has focused on examining the effects of board structural attributes such as leadership and composition (e.g., board independence, knowledge, diversity, interlocks, size) on company-level outcomes such as performance (e.g., Mangena et al., 2012; Payne et al., 2009; Elsayed, 2007; Peng, 2004), executive compensation (e.g., Conyon, 2014; Core et al., 1999), corporate reporting (e.g., Yekini et al., 2015; Cheng and Courtenay, 2006; Haniffa and Cooke, 2002), corporate social responsibility (e.g., Shaukat et al., 2016; Bear et al., 2010) and dividend pay-outs (Chen et al., 2017; Abdelsalam et al., 2008). On the whole, the evidence suggests that certain board structural attributes (board independence, knowledge, etc.) are important for positive outcomes (e.g., performance, disclosure, corporate social responsibility etc.). However, the processes by which boards influence these outcomes have received limited attention. As Bezemer et al. (2014), Zhu et al. (2016) and Pye and Pettigrew (2005) suggest, empirical research has not devoted much attention to the study of board process, and the question of how boards actually work and fulfil their responsibilities remains to a great extent unanswered. Given that the board is at the apex of the company (Jensen, 1993) and its main role is to make decisions and ensure company performance and survival (Bailey and Peck, 2013), understanding how boards work is important. Consequently, numerous studies (e.g., McNulty et al., 2013; Huse et al., 2011; Roberts et al., 2005; Pettigrew, 1992) have called for research that focuses on examining board processes.

This study is a response to these calls. By examining the processes by which boards of directors influence decisions and the factors that affect board decision-making processes in the Omani context, it extends and contributes to recent studies (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Huse et al., 2005) that have begun to explore this lacuna. These include Pugliese et al. (2015) and Bezemer et al. (2014), who found that directors in their studies participated in board meetings more or less according to the agenda item, and that neither the CEO nor board chair dominated board discussions. Further, these interactions were affected by contextual factors such as the timing and length of meetings, board climate and what was on the agenda. Huse et al. (2005) found that the boardroom culture is more likely to be cohesive, open, generous, creative and critical where the most powerful directors are also the most highly esteemed, knowledgeable and skilled at interacting with others, whilst Bailey and Peck (2013) found that a board's decision-making style is determined by factors such as the power relationships within the board; the quality of board chair leadership; the presence of shared attributes such as identification with the organisation, hope and a shared vision; the level of strategic involvement by the board; and the clarity of the board's role.

1.2 Significance of and Motivation for the Research

This section discusses the significance of this study and the motivation for conducting it. Both arise from the existing gap in the board process literature.

1.2.1 Significance of the Study

This study is particularly important and timely for the Omani government, which is currently devoting great effort to improving the business environment and corporate governance practices in the hope of encouraging more foreign and domestic investment in the country. It is potentially significant for corporate governance policymaking and board effectiveness in Oman and similar contexts because it provides in-depth information and understanding of the processes by which boards of directors influence decisions and perform their governance roles. Further, it reveals the contextual and cultural factors that influence the work of these boards. Policymakers in Oman and similar contexts can use the knowledge and insights gained from this study to develop governance provisions and reforms that will enhance corporate governance practices whilst taking into account local contextual factors. This will help in developing a more efficient business environment and attracting greater foreign and domestic investment in public companies. The study also has significance for boards themselves because the knowledge and insights it offers will help directors to improve their decision-making processes and context. The findings will enable boards to understand which processes, factors and structural attributes are the most and least likely to lead to efficient decision making and positive outcomes.

1.2.2 Motivation for the Study

Despite the growing number of studies examining board processes, the board process literature still has a number of limitations. Firstly, almost without exception, studies pertaining to board processes (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Huse et al., 2005) confine their focus to board processes inside the boardroom and neglect agenda-setting processes. However, it is important to examine agenda processes in order to understand whether the issues that the board deliberates in meetings are dominated by the CEO/executive team, or whether outside directors are able to influence the agenda and bring forward major issues (e.g., strategic proposals, poor CEO/executive team performance) to achieve positive outcomes. The only study to have examined agenda-setting processes so far, conducted by Peebles (2010), found that CEOs in New Zealand often control the board agenda in public companies, with outside directors being largely passive.

Secondly, these studies (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Huse et al., 2005) fail to demonstrate board preparation processes, even though these may well have an influence on board interactions and deliberations in formal meetings. As Minichilli et al. (2009) and Huse and Grethe Solberg (2006) suggest, thorough preparation is extremely important if the board of directors is to perform its role effectively, and well-prepared directors are likely to be more influential in the decision-making process. Thirdly, and more importantly, the studies do not enhance our understanding of the informal processes that occur outside the boardroom (e.g., individual directors' preparation processes and interactions outside the formal meetings and political processes) and how they inform the decision-making processes in the formal meetings.

Fourthly, the above studies have not examined processes in the sub-committees that support the board of directors in performing its roles and responsibilities. Those that do focus on board sub-committees (e.g., Veliyath et al., 2016; Hermanson et al., 2012; Turley and Zaman, 2007; Gendron and Bédard, 2006; Beasley et al., 2009) do not examine decision-making processes in the board as a whole so give little insight into board processes in general. Together, these limitations were the impetus behind this research and its aim to examine board processes in general and to bridge the gap in relation to board agendas and informal processes (preparation processes and political processes).

Fifthly, previous studies on board processes have generally been undertaken in developed countries such as the UK (e.g., Turley and Zaman, 2007; Samra-Fredericks, 2000), the US (e.g., Bailey and Peck, 2013; Beasley et al., 2009) and Australia (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Parker, 2007a; Parker, 2007b; Parker, 2008). Consequently, our knowledge of whether the processes by which boards influence decisions are the same or different in developing countries is still limited. This was one motivation for examining board processes in Oman, a developing country. There are reasons to believe that the findings from developed countries may not be relevant in a developing country such as Oman because, as the literature (e.g., Waweru et al., 2011; Li and Harrison, 2008; Aguilera et al., 2008; Mangena and Chamisa, 2008; Tsamenyi et al., 2007; Okeahalam, 2004; Roe, 2003; La Porta et al., 1998) suggests, legal, political and cultural differences mean that ownership structures and corporate governance practices vary from one country to the next (Mangena and Chamisa, 2008; Aguilera et al., 2008; Tsamenyi et al., 2007; Okeahalam, 2004).

In terms of the legal perspective, legal systems and law enforcement differ significantly across countries (Adelopo et al., 2018; Okeahalam, 2004; La Porta et al., 1998). In particular, the rights of shareholders and the legal protection afforded to investors differ, depending on whether the legal rules they employ originate from common law or civil law (Adelopo et al., 2018; La Porta et al., 1998). Even where countries employ similar legal rules, the effectiveness with which these are supervised and enforced may vary (Okeahalam, 2004). Differences in the rights offered to investors and the extent of law enforcement trigger different ownership structures, leading to different corporate governance practices. In countries such as the US and UK, where effective legal systems and law enforcement give investors better protection, company ownership is likely to be dispersed across numerous shareholders (La Porta et al., 1998). Conversely, where the legal system is weak, shareholders will seek to counterbalance this weakness by concentrating the ownership of the company so as to exercise the controlling rights and a monitoring role. In terms of political impact, Elghuweel et al. (2017) explain that this kind of closely held ownership – often by government – is widespread in developing countries in general and Oman in particular. This suggests that governments in these countries might be able to appoint outside directors and wield influence on board decisions.

However, ownership in Oman is also often closely held by families (e.g., Elghuweel et al., 2017; Omran et al., 2008), and this can pose a challenge in terms of implementing some of the corporate governance practices expected in developed countries where dispersed ownership is the norm (Okeahalam, 2004). For instance, family companies tend to avoid disclosing information to external and non-family individuals. Further, boards may be composed of powerful family members who may curtail engagement and discussion in the boardroom, with the result that some decisions are made not in the boardroom but in family meetings and are merely rubber-stamped by the board.

The composition of the board may differ from country to country; for example, boards in Japan tend to be dominated by company executives, whilst US boards comprise both executive and independent directors, those in Finland comprise both executive and non-CEO/executive team employees (Tricker, 2012; Li and Harrison, 2008), and those in Oman are made up entirely of outside directors. Accordingly, the power and influence of outside directors in decision-making processes relative to the CEO and executive team also differ. Unlike developed countries (e.g., the US), where the CEO is seen as a powerful individual in board decision making, CEOs in Oman have no voting power when it comes to making decisions.

As a result, board processes have different effects on board role performance in different cultures. For example, Minichilli et al. (2012) found that board processes impact monitoring and advisory role performance differently in countries with a low power distance, collectivistic culture compared to countries with a high-power distance, individualistic culture. These cultural differences also influence corporate governance structures as companies compose their board in such a way as to reflect the cultural environment. Thus, Li and Harrison (2008) demonstrate that countries with a high uncertainty avoidance or individualistic culture tend to include a higher number of outside directors on the board and to combine the CEO and board chair positions. This enables companies to signal to society that they have the range of skills and expertise in the board to deal with uncertainty. In developing countries, where nepotism is common (Kragh, 2012), directors may be appointed to serve family or other vested interests. This changes the processes by which boards operate as these controlling shareholders in effect create a shadow directorship, influencing board and CEO/executive team decisions and activities through their elected representatives (Mangena and Chamisa, 2008). For these reasons, the findings of board process studies conducted in developed countries might not be applicable in developing countries.

The studies examining board processes generally adopt a case study approach and examine just one company (e.g., Brundin and Nordqvist, 2008; Huse et al., 2005; Samra-Fredericks, 2000), two companies (Pugliese et al., 2015; Bezemer et al., 2014) or one type of business (e.g., Bailey and Peck, 2013). Consequently, they confine our knowledge and understanding of board processes to a limited number of companies and sectors. As the literature (e.g., Boytsun et al., 2011; Hilary and Hui, 2009; Mangena and Chamisa, 2008; Aguilera et al., 2008; Okeahalam, 2004) suggests, corporate governance practices differ among companies even in the same country because of the interdependencies between company, environment and context. Some companies do more than others to protect the interests of investors, abandoning or adding provisions through corporate charters and bye-laws and thereby differentiating their corporate governance practices from those of their competitors. For instance, a company may choose to enhance investor protection by improving disclosure, appointing a properly functioning board of directors and developing effective mechanisms to protect minority shareholders from expropriation by dominant shareholders and the CEO/executive team (Okeahalam, 2004).

Finally, the religiosity and religious beliefs of the community where a company operates also affect its decision making and behaviour. For instance, Hilary and Hui (2009) found that companies operating in more religious counties in the US showed lower risk exposure and less investment in capital, whilst Boytsun et al. (2011) found that the strong social norms (e.g., religiosity) and cohesion found in some Ukrainian communities acted as informal incentives to companies to improve their governance practice. It follows that boards of directors adhere to different corporate charters and bye-laws, informal rules and social norms in their decision-making processes. Business issues and investments that are in line with community norms are more likely to gain board agreement, whilst other investments that are not in line with the social norms, even if they are feasible and potentially profitable, might be rejected. If the board is split between directors who are strict adherents to social norms and culture and others who are more business-oriented, the proposed investment is likely to be a matter of dispute.

To sum up, the existence of the aforementioned gap in the board process literature and the differences in corporate governance practice between developed and developing countries and among companies in the same country are the main motivations for this examination of board processes in general and in one developing country, Oman, in particular.

1.3 Research Aims, Questions and Objectives

This study aims to examine board decision-making processes and the factors that affect board processes in public listed companies in Oman. It also aims to develop a conceptual framework for the general processes by which boards of directors influence decisions and subsequently company-level outcomes. In order to fulfil the aims of the study, the following research questions were formulated:

1) *What are the processes by which boards of directors influence company decisions?*

2) *What are the factors influencing boards' decision-making processes?*

To address the first research question, the following objectives were specified:

1) To investigate the processes by which boards of directors influence agenda formation;

2) To explore the processes by which boards of directors prepare for meetings;

3) To investigate the political processes by which boards of directors build coalitions and influence decisions;

4) To examine the processes by which boards of directors influence decisions in the formal meetings.

To address the second research question, the following objectives were specified:

1) To investigate the factors facilitating formal and informal board processes;

2) To examine the impacts of the relationships among directors and between the board of directors and the CEO/executive team on board decision-making processes;

3) To explore the sources of power by which directors influence board decision-making processes;

4) To examine the impacts of aspects of Omani culture on board decision-making processes.

1.4 Research Methodology

The research methodology is discussed in Chapter 5. This section provides only a brief summary of the methodology applied in this study. As indicated earlier, this thesis aims to examine the processes by which boards of directors influence decisions and the factors that affect board decision-making processes. In order to achieve these aims, the study employs the constructivist paradigm. This sees social reality as being constructed subjectively by individuals (e.g., directors) based on their experience, and knowledge of the research subject (e.g., board processes) as being generated through language and hermeneutical interactions between the researcher and the object being investigated (e.g., directors) (e.g., Easterby-Smith et al., 2012; Creswell, 2007; Guba and Lincoln, 1994).

Constructivism is closely associated with the inductive research approach and qualitative research methods (Hussey and Hussey, 1997). In the inductive approach, the researcher interacts initially with the research object and then induces inferences and theories from the outcomes of the research inquiry. The researcher thus moves from the specific (initially interacting with the research object) to the general (formulating a theory from the outcome of the empirical reality). In the qualitative research method, the researcher uses subjective methods, interacting with the research object to address the research inquiry and generate theories from a real context setting (Saunders et al., 2015; Hussey and Hussey, 1997). In this study, data was collected by means of face-to-face, semi-structured interviews with outside directors. This approach was deemed appropriate as it enabled the researcher to interact with directors to obtain an in-depth understanding of board processes and the factors affecting board decision-making processes, a sensitive and complex subject, based on their experience and board decision-making context (e.g., Saunders et al., 2015; Henn et al., 2005; Hussey and Hussey, 1997).

However, as Ragin and Amoroso (2011) and Grix (2010) suggest, there is always interplay between theories and evidence in research, and it is essential for the researcher to apply theories to guide the study. Accordingly, prior to the data collection, a conceptual framework was developed based on a review of the board process literature (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Beasley et al., 2009; Turley and Zaman, 2007), social psychological and political theories (e.g., Combs et al., 2007; Ocasio, 1994; Burnstein and Vinokur, 1973; Burnstein and Vinokur, 1975; Burnstein et al., 1973; Selznick, 1957) and the Omani context. Drawing on the literature review, the researcher developed an interview guide and conducted a pilot study to test the conceptual framework and the interview guide in the context of Oman. At the time of the data collection, 110 companies were listed on the Muscat Securities Market (MSM). Outside directors serving on the boards of these companies constituted the target population of the study; the final sample comprised the 34 outside directors to whom the researcher was able to gain access. Five of the 34 were used for the pilot study. The participants, who were drawn from the financial sector, service sector and industrial sector (the main sectors in Oman), were identified through purposive and snowball sampling (e.g., Cohen et al., 2018; Saunders et al., 2009; Saunders et al., 2015). The interviews were audio-recorded and subsequently transcribed, with the transcripts being subjected to thematic analysis. This analysis followed the six phases described by Braun and Clarke (2006).

1.5 Findings of the Study

The research findings are explored and discussed in Chapter 6 and Chapter 7. This section provides only a summary of the main findings of the study. The first research question (see Section 1.3) addresses board decision-making processes including agenda formation, preparation, and political and boardroom processes, whilst the second question addresses the factors influencing decision-making processes, including those factors that facilitate formal and informal board processes and the impacts of relationships, power and Omani culture.

Regarding board decision-making processes, the findings demonstrate that board agendas are mainly driven by the CEO/executive team and subject to board chair consideration and approval. However, unlike Peebles' (2010) New Zealand-based findings, the evidence suggests that outside directors play an active role in determining the matters to be deliberated in the boardroom. These directors discuss important agenda issues such as mergers and acquisitions outside the formal meetings both among themselves and with major shareholders, resulting in the creation of important strategic agendas for the company.

In terms of preparation and political processes, the findings demonstrate that directors engage formally with the CEO/executive team to request further information on agenda issues and interact both formally and informally with the CEO/executive team to request clarification of these issues and company business in general. Further, most directors conduct their own research on agenda issues, as well as interacting with their own friends and with employees who have the relevant experience and knowledge. These interactions tend to be conducted without disclosing confidential or sensitive information about the agenda issue (e.g., investment proposals) or the companies involved. Outside directors also interact with each other outside the boardroom to exchange opinions on the agenda issues, though some of these interactions are designed to create coalitions and lobby other directors to influence the decision.

These informal interactions may therefore have a positive or negative influence on board decision-making processes. The findings show that on the one hand, informal processes enhance board knowledge, cohesiveness and interactions and accelerate board decision-making processes. They lead to board agreement if the individuals who initiate these interactions succeed in convincing most of the directors outside the boardroom. On the other hand, informal processes that are initiated for the purpose of furthering personal interests or attacking others are detrimental to board decision-making processes and create friction.

Regarding board decision-making processes in the formal meetings, the findings demonstrate dynamic interactions between the board of directors and the CEO/executive team on agenda issues such as company strategy, operational matters and CEO/executive team performance. Company strategic issues (e.g., mergers, acquisitions and investments requiring additional capital) are the subject of intensive boardroom deliberation. These interactions take the form of the board questioning, advising, challenging and investigating the CEO/executive team, who respond by explaining, justifying, defending their recommendations and providing information and clarification. The evidence demonstrates that interactions in the boardroom occur not just between the board of directors, CEO and senior executives, but that directors also interact with one another, with middle managers (e.g., operations managers and HR managers) and with auditors and consultants. Directors interact with one another particularly on issues relating to forward-thinking (e.g., company direction and market status), the CEO/executive team (e.g., appointments, incentivisation and termination), sub-committee recommendations and dividend distributions.

In terms of the factors affecting board decision-making processes, the evidence demonstrates that board deliberations and interactions are impacted by the quality of information submitted by the CEO/executive team to the board of directors, the board chair's leadership skills, board knowledge (diversity and industry relevance), the relationships between the board of directors and the CEO/executive team and among directors (e.g., the extent to which these are professional, trusting and respectful), where directors' power comes from (major shareholders, personality and charisma, or knowledge and expertise), and Omani culture's propensity for avoiding disagreement and maintaining efficient interactions during disagreements and the discussion of complex issues. Within the cultural environment, Omani society's traditional respect for high social status and age, and the emphasis on social ties (friends and relatives) and flattery make directors reluctant to challenge others or engage in task disagreements in the boardroom. On the other hand, its emphasis on respect, quietness and careful reflection encourage boards to deliberate complex issues comprehensively and to use a respectful manner and language when disagreements do occur, mitigating the risk of affective conflicts. Finally, the findings identify social ties, vested interests and limited expertise and understanding concerning agenda issues as the main factors facilitating and driving directors to engage and interact outside formal meetings.

1.6 Contribution to Knowledge

The thesis contributes to knowledge by extending the corporate governance literature on boards of directors in several ways. Firstly, it contributes to the literature examining the effects of board structural attributes on company-level outcomes (e.g., Chen et al., 2017; Shaukat et al., 2016; Yekini et al., 2015; Conyon, 2014; Mangena et al., 2012; Bear et al., 2010; Payne et al., 2009; Abdelsalam et al., 2008; Elsayed, 2007; Cheng and Courtenay, 2006; Peng, 2004; Haniffa and Cooke, 2002; Core et al., 1999). This literature focuses on the causal relationships between board structural attributes (e.g., leadership and composition) and company-level outcomes (e.g., performance, executive compensation, dividend pay-outs, corporate reporting and social responsibility) at the expense of providing an understanding of how these outcomes are achieved. The study extends this literature by providing an understanding of the processes by which these outcomes are reached. It examines board processes, an important area that has been largely neglected in board literature (e.g., McNulty et al., 2013; Huse et al., 2011; Roberts et al., 2005; Pettigrew, 1992) with the result that our understanding of the processes by which boards influence decisions is limited.

Secondly, the board process literature generally confines its attention to board engagements and interactions inside the boardroom (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Parker, 2007a; Parker, 2007b; Parker, 2008; Huse et al., 2005; Samra-Fredericks, 2000), board sub-committee processes (e.g., Clune et al., 2014; Hermanson et al., 2012; Beasley et al., 2009; Turley and Zaman, 2007; Gendron and Bédard, 2006), board agenda processes (Peebles, 2010) and engagement in strategy (McNulty and Pettigrew, 1999). Unlike these studies, this thesis examines the engagements and interactions of directors both inside and outside the boardroom and provides evidence on preparation processes and informal processes, allowing a deeper understanding of board processes.

Thirdly, it contributes to the literature by developing a framework to assist future research into the processes by which boards of directors influence company decisions. The literature on board processes (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Peebles, 2010; Beasley et al., 2009; Turley and Zaman, 2007) has not provided a framework for the general processes by which boards of directors influence decisions and hence company-level outcomes. The framework developed in this study offers a comprehensive insight into the engagements and interactions of directors, the board structural attributes and factors affecting decision-making processes and company-level outcomes. Unlike the studies on board processes (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Peebles, 2010; Beasley et al., 2009; Turley and Zaman, 2007), it provided a holistic insight into the engagements and interactions among directors, and between them and other important constituents such as CEO/executive team, employees, shareholders, auditors, consultants, friends and employees of the company they work at.

Fourthly, unlike other studies, which seek to explain board processes using concepts such as effort norms, use of knowledge and skills and cognitive conflict (e.g., Zona and Zattoni, 2007; Wan and Ong, 2005; Forbes and Milliken, 1999), this study applies social comparison theory (Festinger, 1954), persuasive arguments theory (Burnstein and Vinokur, 1973; Burnstein and Vinokur, 1975; Burnstein et al., 1973) and power circulation theory (Ocasio, 1994; Selznick, 1957). These concepts help in explaining the processes by which boards achieve their roles including information review and preparation (effort norms), task disagreements (cognitive conflicts) and use of knowledge but they say little about how decisions are ultimately reached in the boardroom. In this respect, the findings are consistent with the predictions of social comparison theory, persuasive arguments theory and power circulation theory, and they also suggest that these theories complement one another in explaining how a board decision is eventually reached. On some occasions, board decisions are best explained by power circulation theory (Combs et al., 2007; Ocasio, 1994; Selznick, 1957) in that directors or the CEO/executive team may engage in political and lobbying processes with other directors to create coalitions and influence decisions, though these coalitions are not always successful in influencing decisions. On other occasions, decision-making processes are best explained by social comparison theory (Festinger, 1954) in that directors exchange opinions to arrive at a decision that reflects either the majority opinion or the opinion of the director who is considered the most knowledgeable about the issue under discussion. Alternatively, agenda issues may evoke arguments and debates, and a decision is made in line with the most influential argument, supporting persuasive arguments theory (Burnstein and Vinokur, 1973; Burnstein and Vinokur, 1975; Burnstein et al., 1973).

Finally, the study extends the literature on board processes by providing evidence from a developing country, Oman, where research on board processes is almost non-existent. As discussed in Section 1.2.2, the few studies that have been conducted on board processes are based on developed countries; the researcher has not identified any board process studies based on a developing country. The findings suggest that the context and environment where boards operate influence the processes by which boards influence decisions. They demonstrate that major shareholders in the context of Oman are powerful and can influence board decisions through their representatives. Further, the evidence shows that Omani culture influences board interactions making directors not inclined to challenge their relatives, friends and high status directors. This suggests that both researchers and policymakers should take into account the context and environment where boards operate when examining board processes and making governance reforms.

1.7 Structure of the Thesis

Chapter 1 presents an overview of the topic and discusses the literature gap that prompted this examination of board processes. It introduces the research aims, questions and objectives and discusses the methodology that was adopted to address the research questions before highlighting the key findings and contribution to knowledge. Finally, it outlines the structure of the thesis.

Chapter 2 discusses the Omani context focusing on the geographical, political, legal and economic context of Oman in general and the Omani business environment and culture surrounding board decision-making processes in particular.

Chapter 3 briefly reviews the key theories that have been used to explain board roles and the concepts that have been employed by prior studies to examine board processes. It discusses the theories applied in this thesis and discusses their implications for board decision-making processes. The chapter then reviews the board process literature focusing on two major themes: (i) studies examining the relationship between board structural attributes, board processes, and board roles and (ii) studies examining board decision-making processes. The discussion of the first group of studies outlines their key limitations, after which the discussion of the second group identifies the research gap in this literature.

Chapter 4 presents the conceptual framework, which was developed by integrating insights from the board process literature, the theories underpinning the thesis and aspects of the Omani context. The chapter discusses the interactions between board processes and board structural attributes and the factors that affect board decision-making processes and hence company outcomes.

Chapter 5 explains the methodology applied in this research. It begins by discussing the philosophical assumptions and key research paradigms that underpin research before justifying the choice of the constructivist paradigm and inductive approach for this study. The chapter then discusses the main research methods and techniques and justifies the study's adoption of the qualitative research method and interview technique. The target population and final sample are described and the choice of sampling techniques (purposive and snowball sampling) explained. The chapter then discusses the procedures that were followed to develop the interview guide, and to conduct the pilot study, data collection and analysis. The chapter ends by explaining the steps that were taken to ensure that the findings are trustworthy and that the study adheres to ethical guidelines.

Chapter 6 reports and discusses the findings of the study on board processes: (i) agenda processes, (ii) board sub-committee processes, (iii) preparation and political processes and the impact of informal processes on board decision making in formal meetings and (iv) board decision-making processes in formal meetings.

Chapter 7 reports and discusses the findings of the study on the factors affecting board processes. It reports the findings on the factors facilitating formal and informal processes and the impacts of the following factors on board processes: (i) the relationships among directors, (ii) the relationship between the board of directors and CEO/executive team, (iii) directors' power and (iv) Omani culture.

Chapter 8 concludes the thesis. It provides a summary of the main findings and their implications for policymakers and contributions to knowledge. Finally, it discusses the limitations of the study and provides suggestions for further research.

Chapter 2
Context of Oman

2.1 Introduction

The previous chapter provided an overview of the issue being explored in this thesis and highlighted the gaps in the board process literature that it seeks to address. The chapter showed that differences in ownership structure and corporate governance practices mean that board processes are likely to vary between developing countries such as Oman and developed countries. Accordingly, this chapter moves on to provide contextual information about Oman in general and its business environment and board operating context in particular. Section 2.2 provides a brief overview of the geographical context of Oman, after which Section 2.3, Section 2.4 and Section 2.5 describe the country's political, legal and economic contexts respectively. These sections aim to enable an understanding of the Omani context in general. Section 2.6 discusses the business environment in Oman, including the external and internal elements of the corporate governance framework that regulates the work of companies and boards of directors. Section 2.7 discusses the impact that certain aspects of Omani culture have on board decision-making processes, after which a summary is provided in Section 2.8.

2.2 Oman's Geography

Oman is an Islamic and Arab country situated in the Middle East region. It is bordered by the Kingdom of Saudi Arabia to the west, the United Arab Emirates to the north-west and the Republic of Yemen to the south-west (see Figure 2.1). It is largely covered by desert and mountains, with a land area of 309,500 square kilometres. The results of the latest population survey by the National Centre For Statistics and

Information show that the total population of Oman in mid-2018 was approximately 4.6 million. Omanis accounted for 56% and expatriates for 44% of the total population[2].

Source: Maps Oman

Figure 2.1: Map of Oman and Surrounding Countries

Oman occupies a unique and strategic location. Situated in the extreme south-eastern corner of the Arabian Peninsula, its 3,165 kilometre coastline runs northwards from the Arabian Sea and the entrance to the Indian Ocean in the far south-west to the Sea of Oman and Musandam, where it overlooks the strategic Strait of Hormuz at the entrance to the Gulf (Oman Ministry of Information, 2018).

Oman is divided into 11 governorates (see Figure 2.2): Muscat (the capital city), Dhofar, Musandam, Buraymi, the Dakhiliyah, the North Batinah, the South Batinah, the South Sharqiyah, the North Sharqiyah, the Dhahirah and the Wusta. Each of these governorates comprises a number of districts, with a total number of 61 districts all over

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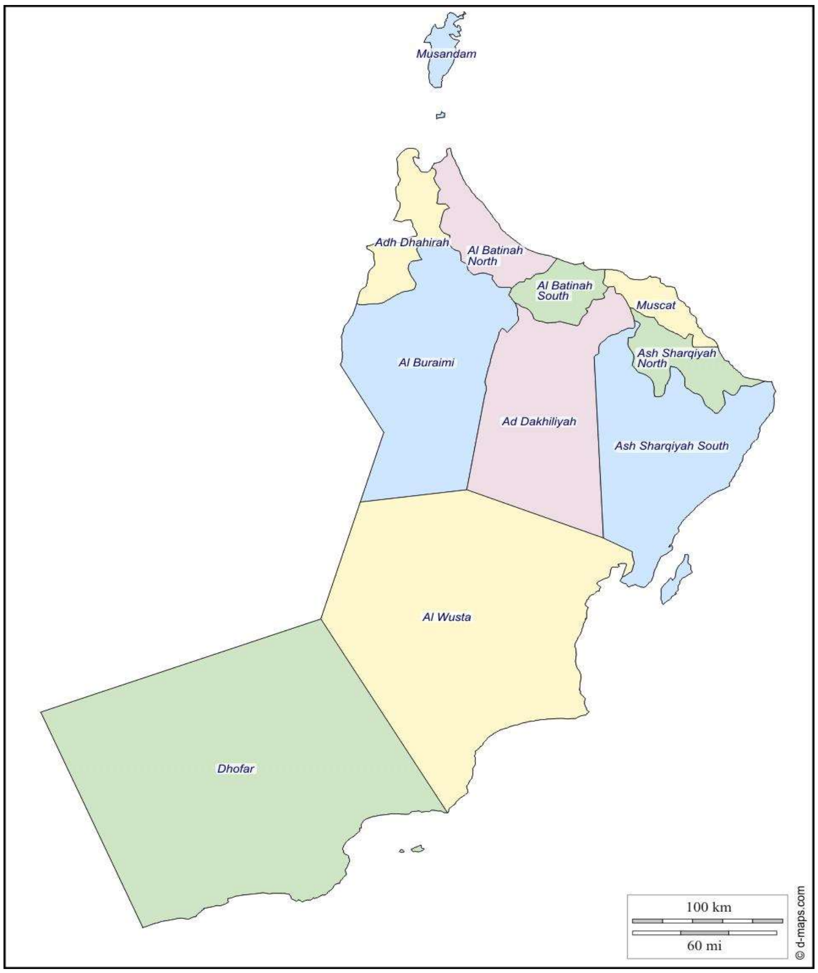
[2] This information has been taken from the official website of the National Centre for Statistics and Information in Oman. Available at: https://www.ncsi.gov.om/Elibrary/Pages/LibraryContentView.aspx

Oman. The governorates are overseen by the Ministry of the Interior, except for the Muscat and Dhofar governorates, which are overseen by the Minister and Governor of State. Each governorate serves as the administrative authority for all citizens residing within its borders. Muscat is the most densely populated governorate (Ministry of Information, 2018).



Source: Maps Oman

Figure 2.2: Governorates of Oman

2.3 Oman's Political System and Legal System

Oman, an independent Arab Islamic country, is governed by its sovereign[3], His Majesty the Sultan Qaboos. According to the Ministry of Information (2018)[4], a number of councils assist His Majesty in formulating and implementing policy; among these, the Council of Ministers, the Council of Oman, the Financial Affairs and Energy Resources Council, the Board of Governors of the Central Bank of Oman and the Supreme Council for Planning are particularly concerned with economic, financial and monetary policy[5].

The Council of Ministers submits proposals and recommendations on a range of issues including social welfare, the economy, health services and the administration. Similarly, the Council of Oman proposes new legislation and policies to address economic and social problems and any major obstacles hindering development. It also reviews and discusses the annual State Budget drafted by the Financial Affairs and Energy Resources Council. The latter council also drafts policies relevant to the country's financial system and studies the financial allocations and funding for domestic and external investments. The Supreme Council for Planning is responsible for drafting policies and strategies for sustainability and development and the mechanisms for implementing these strategies. It deals with a range of issues including the economy and the Oman Vision 2040[6]. Finally, the Board of Governors of the

[3] The Basic Statute of the State is available at: http://www.mola.gov.om/eng/basicstatute.aspx
[4] Available at: https://www.omaninfo.om/english/images/library/file/Book493020458.pdf
[5]The information in this and the following sub-sections was obtained from the following official sources and websites:
Ministry of Foreign Affairs: https://www.mofa.gov.om/?p=792&lang=en
Omanuna: https://omanportal.gov.om/
Supreme Council for Planning: https://www.scp.gov.om/en/Page.aspx?I=10
Ministry of Information: https://www.omaninfo.om/english/images/library/file/Book493020458.pdf
[6] The Vision aims at achieving a more sustainable and diversified economy by encouraging national investment in tourism, logistics, manufacturing, fisheries and mining and increasing the level of foreign investment in the country.

Central Bank of Oman is concerned with drafting monetary policy and the measures necessary to ensure the effective functioning of the Central Bank and the banking system as a whole.

In terms of the legal system, the Basic Statute of the State, first promulgated in 1996 and then amended in 2011, serves as Oman's constitution and the framework for government policy and legislation[7]. It consists of seven chapters and 81 articles, which collectively form the legal framework that defines the responsibilities of and principles underlying all authorities and agencies in the country. The independence and development of Oman's judiciary is monitored by the Supreme Judicial Council, which has jurisdiction over the judiciary, the courts and the Public Prosecution Authority. A key point in the development of Oman's legal system was the establishment in 2012 of the Council of Administrative Affairs for the Judiciary. This body was assigned responsibility for judicial administration in an attempt to protect the system from outside influence. The Ministry of Legal Affairs has also played a role in the development of the Omani legal system by developing laws and regulations and reviewing and providing legal opinions on draft royal decrees, regulations and proposals submitted by ministries and other government bodies.

2.4 Oman's Economy

Before the 1960s, the Omani economy was mainly dominated by agriculture, which accounted for 75% of the gross domestic product (GDP) compared to the 8% produced by industry. Oil was discovered in 1962 and exported from 1967, whilst gas

[7] Information in this and the following sub-sections was obtained from the following sources:
Oman Law Blog: https://omanlawblog.curtis.com/
Ministry of Legal Affairs: http://mola.gov.om/eng/index.aspx
Ministry of Information: https://www.omaninfo.om/english/images/library/file/Book493020458.pdf

was discovered in 1978 and exported from 2000 when the quantity being produced started to exceed local demand (Sangeetha, 2012; Wippel, 2012; BTI, 2012[8]). The discovery of oil and gas, as well as progress in the petroleum sector, significantly advanced the Omani economy, though it is considered a modest oil producer in comparison to the other Gulf countries, and a middle-income economy by Middle Eastern standards. The economy is dominated by oil, with the petroleum sector constituting around 36% of the nominal GDP and 78.2% of government revenues in 2018. The export of crude oil accounted for approximately 81% of the country's production in 2018, with the bulk going to China (about 83%), followed by India (about 8%) and Japan (about 6%) (Central Bank of Oman, 2018).

Natural gas production has also become an important player in Oman's economy. According to the Central Bank of Oman's annual report for 2018, 43,750 million cubic metres of natural gas were produced in that year, an increase of 12.5% from 2017. The increase followed the discovery of new reservoirs of gas, taking the total number of gas production fields to 22 and the total estimated reserves to 25 trillion cubic feet (Ministry of Information, 2018; Central Bank of Oman, 2018). The exports of liquefied natural gas (LNG) also increased, to 10.2 million metric tons in 2018, an increase of 19% in comparison to 2017 (Central Bank of Oman, 2018).

In 1995, the government, concerned at Oman's high dependence on a depletable resource as its main source of income, committed to reducing the oil sector's contribution to GDP to 9% by 2020. It implemented a five-year development plan aimed at gradually reducing the country's reliance on the petroleum sector and diversifying the sources of national income by exploiting other available natural

[8] The Bertelsmann Stiftung's Transformation Index analyses the market economy and political management in 128 developing and transition countries.

resources, developing the country's human capital, encouraging foreign investment and creating the conditions for the private sector to contribute more to the national economy. The goals of the development plan have not yet been realised, but the government continues to devote major effort to diversifying the economy by embarking on new strategies.

One such effort was the adoption in 2013 of a long-term logistics strategy, known as the Sultanate of Oman Logistics Strategy 2040 (SOLS 2040). Ten prominent figures from the private sector, government agencies and academia were brought together with 65 specialists in logistics development to draft a strategy to develop the country's logistics sector and enhance its contribution to the economy. The strategy aims at increasing this contribution to RO.14 billion by 2040 and creating 300,000 jobs in the sector, which would make Oman one of the top 10 countries in the world in terms of logistics (Ministry of Information, 2018).

The government has also devoted considerable effort to making the investment environment more attractive to domestic and foreign investors. The Ministry of Commerce and Industry has attempted to make it easier for investors to invest in the Sultanate by converting all its services into e-services, and an investment service centre has been set up to help prospective investors apply for foreign investment licences. Foreign companies and individual investors can now establish branches, commercial agencies and commercial representative offices in Oman and, if they have an Omani partner with a minimum 30% shareholding, set up limited liability companies, privately held joint stock companies (SAOC) and publicly held joint stock companies (SAOG) (PWC, 2019[9]). To further encourage foreign investment, a royal decree was issued in

[9] Available at: https://www.pwc.com/m1/en/tax/documents/doing-business-guides/doing-business-guide-oman-2019.pdf

July 2019 introducing a new foreign capital investment law to replace the old one. Under the new law, from 2020, 100% foreign shareholding (minimum capital of OMR 500,000) will be permitted in companies being established in one of the Free Zones or in special projects deemed important to the national economy (Oman Law Blog, 2019[10]; *Oman Observer*, 2019[11]). According to the 2018 Muscat Securities Market (MSM) annual report, the level of foreign investment in companies listed on the MSM stood at approximately 28% in 2017, going down slightly to 26% in 2018.

2.5 Oman's Business Environment

The previous sections focused on offering a general understanding of the Omani geographical, political, legal and economic context. This section provides information on the Omani business environment and corporate governance regulatory framework. The business environment in Oman differs from that of developed countries. Unlike the widely dispersed ownership found in developed countries such as the US, the UK and Australia, ownership structure in Oman is closely held, generally by families or the government. This differs from the institutional ownership that dominates in developed countries such as the US and the UK (Adelopo et al., 2019). The concentrated ownership by families and government in Oman is also accompanied by weak legal protection for minority shareholders (Elghuweel, 2015; Hashim and Amrah, 2016; Omran et al., 2008), which enables dominant shareholders to take advantage of smaller shareholders and pursue their own interests at others' expense (Adelopo et al., 2019; Hashim and Amrah, 2016).

[10]Available at: https://omanlawblog.curtis.com/2019/08/new-foreign-capital-investment-law.html
[11] Available at: https://www.omanobserver.om/new-laws-a-powerful-boost-for-ease-of-doing-business-in-oman/

The government has made repeated attempts to promote good corporate governance by issuing governance provisions and regulations, and the Omani regulatory framework now relies on a combination of internal and external elements. The internal framework comprises a body of constitutional and corporate law, including the 1974 Commercial Companies Law and the 1998 Capital Market Law, along with the 2016 Corporate Governance Code. The external element of the regulatory framework consists of bodies such as the Central Bank of Oman, the Ministry of Commerce and Industry, the Capital Market Authority, the Muscat Securities Market (MSM) and the Muscat Clearing and Depository Company. As noted by Elghuweel (2015) and Al-Kalbani (2008), these government bodies issue and monitor the implementation of the statutory laws and procedures to which public companies must adhere. The following sub-sections briefly discuss the main responsibilities of these external corporate governance regulatory bodies.

2.5.1 Central Bank of Oman

The Central Bank of Oman was established in 1974 in line with the provisions outlined in the Banking Law of 1974 (Elghuweel, 2015; Al-Kalbani, 2008). These provisions were modified in 2002 in keeping with local and global economic changes (Elghuweel, 2015). Like other central banks all over the world, the Central Bank of Oman assumes certain conventional roles including acting as a national depository agency, releasing national currency, and issuing authorisations to emerging banks and financial institutions (Elghuweel, 2015; Al-Kalbani, 2008). Another role is the regulation of business banks, which, according to Elghuweel (2015), can be classified as commercial, specialised, non-bank finance and Islamic.

The banking sector is the key component of the Omani financing system, as it allows lenders and borrowers to carry out fund exchanges (Elghuweel, 2015; Rath et al., 2014; Sangeetha, 2012). However, there are two notable differences between the Omani banking system and the systems in developed countries, both of which are likely to have significant impacts on businesses' financial options. Firstly, as Sbeiti (2010) suggests, since neither bond markets nor mutual funds markets are well developed in Oman, traditional commercial banks play a significant role in Omani business and finance. However, these commercial banks are now competing against Islamic banks (the second big difference), which have a quite different approach to financing. Options offered by Islamic banks include, "Istina" (contract manufacturing), "Murabaha" (deferred payment sale), "Musharakah" (joint ventures), "Bai' Salam" (forward sale) and "Mudaraba" (profit-sharing) (Elghuweel, 2015). Further, banks that operate on the basis of Islamic principles are obliged to establish an independent Shariah supervisory board alongside the board of directors, the role of which is to ensure that the bank's financial activities and operations comply with these principles. This means that any investments or business proposals brought before the board must also be reviewed and approved by the Shariah supervisory board before a final decision can be made.

2.5.2 Ministry of Commerce and Industry

The Ministry of Commerce and Industry was created in 1974 to oversee the statutory regulation of companies (Elghuweel, 2015; Al-Kalbani, 2008). One of its major roles is to supervise the Capital Market Authority and the MSM. It is responsible for ensuring that companies apply the mandatory rules and regulations, which it does through two main statutory bodies: the Commercial Registration Body and the Company Licensing Body. The Commercial Registration Body has a major impact on corporate governance by ensuring that all companies produce an in-depth corporate governance account as part of the process of registration with the Ministry of Commerce and Industry. The Company Licensing Body also has regulatory power, with companies being required to disclose their financial and non-financial data as a condition for being granted licences to gain entry into the market (Elghuweel, 2015).

2.5.3 Muscat Securities Market

Another major body is the Muscat Securities Market (MSM), which was launched in 1988 to ensure that listed companies make information about their performance and financial behaviour available to investors (Elghuweel, 2015; Al-Kalbani, 2008). Elghuweel (2015) and Al-Kalbani (2008) argue that the main reason for establishing this government body was to take charge of the listing and trading of securities, but the MSM is also supposed to keep abreast of global changes and promote robust economic policies at local and regional levels (Shehata, 2015; Mohamed et al., 2009; Oyelere and Al-Jifri, 2011). The MSM deals with companies via two key statutory sections: the Market Surveillance Section and the Firm Follow-up Section. Both seek to promote transparency and support the market by enforcing the implementation of listing provisions and trading rules in listed companies. There is a direct relationship between the listing requirements and corporate governance, in that companies applying for listed status are required to support their application with the relevant documentation, and listed companies are obliged to publish in-depth corporate governance data. These companies are required to prepare quarterly and yearly reports for sharing with the MSM, with investors being given the opportunity to gain online access to these reports via the Market's website (Elghuweel, 2015).

The Asian financial crises in 1997-1998 also affected Oman, resulting in a dramatic reduction in the share prices of companies listed on the MSM (Elghuweel et al., 2017; Dry, 2003). The government responded by initiating reforms and developing a corporate governance regulatory framework. Seeing the need to split the regulation and market activities functions of the MSM in order to improve investor protection and develop the local and international securities markets (Shehata, 2015; Oyelere and Al-Jifri, 2011; Mohamed et al., 2009; Al-Kalbani, 2008), it passed the Capital Market Law in 1998 and restructured the MSM to create two new bodies: the Capital Market Authority and the Muscat Clearing and Depository Company. The Market saw its role reduced to that of supervisory authority for the stock exchange for listed securities. Working under the supervision of the Capital Market Authority, the MSM remains a government entity but has financial and administrative independence (Al-Kalbani, 2008; Mohamed et al., 2009; Oyelere and Al-Jifri, 2011). Its board of directors is chosen from among members of government-owned financial and business corporations, listed companies, intermediaries and the Central Bank of Oman. The MSM carries out a number of activities, including registering and trading securities, and issuing trading information and data. Securities that are traded in the primary and secondary markets relate to shares and bonds issued by joint stock companies, as well as bonds issued by the government, treasury bonds and bills. Three sub-markets – regular, parallel and third – make up the secondary market (Al-Kalbani, 2008).

2.5.4 Muscat Clearing and Depository Company

In 1998, the Muscat Clearing and Depository Company, which is a closed joint stock company, was launched. Some of the services provided include registration and transfer of ownership of securities and protection of ownership documents. Its depository is connected through an electronic system to the MSM to enable the easy transfer of data (Al-Kalbani, 2008). Around 60% of the company's capital is owned by the MSM, while 40% is owned by brokerage companies and banks[12].

2.5.5 Capital Market Authority

The launch of the Capital Market Authority in 1998 was seen as a significant event; an independent regulatory and supervisory government body (Elghuweel, 2015; Al-Kalbani, 2008), it aims to promote the effectiveness of the capital market, standardise its processes, and ensure adherence to the professional code of conduct and discipline among all securities dealers. It carries out a number of key tasks, including the management, authorisation and monitoring of the issuance and trading of securities, as well as supervising the procedures and operations of the MSM, the Muscat Clearing and Depository Company and companies functioning in the securities domain (Al-Kalbani, 2008). There are two major departments through which this body performs its roles: the Market Regulation Department and the Legal Affairs and Legislation Department. Through the work done by these two departments, the Capital Market Authority plays a key role in promoting corporate governance practices in the Omani business context.

The Authority's issuance of a Corporate Governance Code for public companies in 2002, applied in 2003 on a comply or explain basis, was one of its strategies for enhancing the MSM's performance and reinforcing its role in the market (Elghuweel, 2015; Shehata, 2015; Oyelere and Al-Jifri, 2011; Mohamed et al., 2009). The Code was reviewed by the Authority in 2015 and made mandatory for public companies in 2016 (see Section 2.6.8). Companies listed on the MSM must now adhere to the 1998 Capital Market Law, the 1974 Commercial Companies Law (Elghuweel, 2015; Shehata, 2015;

[12] Information obtained from the website of the Muscat Clearing and Depository Company. Available at: https://www.mcd.gov.om/page.aspx?i=1&search=60%

Al-Kalbani, 2008) and the Corporate Governance Code of 2016. The following sub-sections discuss the governance provisions contained within these laws and code, which collectively form the internal element within the Omani corporate governance framework.

2.5.6 The Capital Market Law

As a result of developments within global and local markets, the 1998 Capital Market Law has seen several amendments since it was first passed. The primary reason for its issuance was to reform the MSM following its collapse in the wake of the Asian crisis. The Law sets out several provisions regarding the listing and trading of securities which oblige companies to disclose a number of corporate matters. For example, companies are required to produce un-audited financial quarterly statements, which can be disclosed after being ratified by the board of directors. It is also a requirement for companies to ensure the disclosure of audited annual financial reports. These reports, which must be accompanied by comparative data for the preceding year, must include a cash flow statement, an income statement, notes on the financial statement, a statement on changes in shareholders' equity, and a balance sheet (Articles 279 and 284). Article 285 stipulates that companies must allow general access to their financial statements, which can be achieved by publishing them in two daily broadsheets. The Capital Market Law also contains several other provisions designed to ensure corporate responsibility and transparency, such as the mandatory publication of quarterly reports, as well as requirements to disclose truthful information and any other related issues.

2.5.7 The Commercial Companies Law

The Commercial Companies Law, passed in 1974, has also undergone several amendments to reflect local and global changes in the corporate world (Elghuweel, 2015; Al-Kalbani, 2008). The Law defines five business types and structures in Oman, including limited liability companies, limited partnership, general partnership, joint ventures and joint stock companies. It outlines a significant number of rules to regulate internal relationships and communication between companies, shareholders, boards of directors and external auditors.

The Commercial Companies Law responds to the issue of related party transactions by stipulating that directors are not permitted to be involved in any transactions other than those arranged in line with Capital Market Authority regulations (Article 108). Companies are required to have between five and 12 directors on the board (Article 95), and these directors may be members of no more than four boards at once. They may serve a maximum of three years on the board of the main company, though this is renewable. Board chairs are not allowed to chair more than two boards in public or closed companies or to sit on the boards of companies that operate in the same sector (also Article 95). The purpose behind these rules is to ensure that directors will dedicate their professional skills and time to the company. Article 97 relates to the importance of selecting board members from amongst shareholders and/or non-shareholders, whilst Article 100 stresses that board meetings will only be legally binding if attended by a minimum of 50% of members or their representatives. The Law stipulates that the general assembly shall decide the yearly salary and sitting charges of the board and sub-committees, which should not exceed 5% of the annual net revenues; Article 101 sets the maximum total limit for salary and sitting charges reimbursable by the company at RO 10,000 for individual director.

Article 97's stipulation that companies must indicate how many shares each director is allowed to own in the company is meant to ensure that directors' interests are aligned with those of shareholders. In addition to the requirement to disclose each director's salary to shareholders, the Law also requires that companies' articles of association to be available to all shareholders (Article 6), and to prepare and disclose the board of directors' report, profit and loss accounts, balance sheets and an external audit report before the general assembly meeting (Article 101).

The Law grants shareholders a number of rights, including the right to approve director remunerations (Article 101), select an external auditor (Article 120), attend and cast votes at general assembly meetings (Article 94), remove any director from her/his position in the general meeting (Article 99), reduce or increase the company's capital (Article 84) and elect board members. The Law stipulates that companies should divide their capital into groups of shares, and that the articles of association should specify what number or percentage of board members each group is allowed to elect based on their shareholding percentages (Article 76). In practice, however, this allows major shareholders to appoint a higher number of outside directors, giving them greater influence over board processes and decisions. The Law also stipulates that shareholders can initiate legal action against any director, with the case being funded by the company. If the ordinary general meeting does not approve of this suggestion, the case may be filed on behalf of the company by the shareholder. If successful, court costs must be reimbursed to the shareholder from the amounts declared, with the balance being paid to the company (Article 110).

Lastly, Article 111 stipulates that the external auditor appointed by the company must be independent and employed only for a specific period of time. The external auditor must ensure that the company's records follow the accounting standards (Article

112) and must provide a report on the company's financial status, which must be accessible to shareholders before the general assembly meeting (Article 113).

2.5.8 The 2016 Corporate Governance Code

As with the Asian crisis of 1997-1998 (see Section 2.6.3), Oman was also affected by the 2008 financial crisis originating in the US. Shares listed on the MSM and assets dropped in value, and the international demand for oil and petrochemical products, and hence the price of oil, also declined. This adversely affected the Omani economy, hindering the execution of investment projects (Abdelbaki, 2010). In response, the country embarked on further governance and economic reforms. Efforts were launched to promote a market-oriented economy that offered better governance practices and transparency, greater protection of minority shareholders and levels of accountability that would meet the expectations of stakeholders (Hussain et al., 2015). Corporate governance practices were reformed, culminating in the issuance of a revised Corporate Governance Code in 2016, which was made mandatory for listed public companies.

The Code sets out a series of specific strategies, processes and procedures to guide public companies in terms of their direction, administration and regulation. The key governance provisions in the Code are outlined in the following sub-sections.

2.5.8.1 Formation, Roles, Responsibilities and Competence of the Board of Directors

Under the 2016 Code, companies must be under the charge of an efficient board of directors, whose duty it is to take care of the company and supervise and direct its business activities and operations. Although not involved in day-to-day operations, the board is collectively accountable for the company's accomplishment of its long-term aims. To this end, it must meet at least four times per year and work with the executive management to achieve the company's objectives. The Code makes it clear that the general assembly may prevent any or all directors from continuing in their position if they fail to carry out their duties and responsibilities in the best way possible.

Boards in Oman are unitary (single-tier) in structure. The Code states that the board of directors should consist only of outside directors, of which at least one third (or a minimum of two) should be independent (see Section 2.6.8.2). These directors should possess certain attributes and skills such as (i) the ability to strategically direct the company towards achieving its vision, (ii) expertise in corporate finance and financial accounting, (iii) experience and understanding of the company's business and industry and (iv) the ability to deal with others in an assertive, responsible and supportive manner.

The Code also sets out a number of tasks that the members of the board of directors need to carry out as part of their role, including the following:

- Determining and outlining a strategic corporate vision that reflects the company's mission, aims and objectives, and setting sustainable performance indicators that can be gauged objectively;
- Initiating and assessing strategic executive policies;
- Supervising the work of management to ensure the business is being appropriately managed in accordance with the company's objectives and in compliance with the laws and regulations;
- Assessing related party transactions and approving annual financial statements;

- Appointing the CEO, general manager, head of the internal audit unit and compliance officer (if any), determining their rights and responsibilities and evaluating key executives' performance; and
- Creating dedicated committees, setting their duties, rights and responsibilities and assessing their achievement.

Under the Code, the board is required to formulate accountability procedures for directors to ensure that they attend meetings, contribute, participate and carry out their roles effectively. These procedures should explain the methods for monitoring directors' performance and commitment to expected professional conduct, and set out the consequences for failing to carry out their roles and tasks. The board is also required to sanction and make public clear guidelines and controls for offering directors information outside ordinary meetings, and to produce a statement, to be included in its annual report to the general assembly, outlining the company's ability to continue its operations. The Code stipulates that the board must be efficient in its oversight of the internal control systems across the company, including financial and risk management. Finally, directors are required to maintain the confidentiality of all information they obtain in their capacity as directors and not use this information inappropriately.

2.5.8.2 Independent Directors

According to the Code, independent directors (i) are financially, materially and economically independent from the companies they serve in, including their parent, subsidiary and associate companies; (ii) have their own independent opinions on board issues; (iii) have not worked as senior executives in the companies they serve in, or in their parent, subsidiary or associate companies, or for any parties contractually engaged with the companies they serve in (e.g., external auditor, major supplier) for two years preceding their candidacy or nomination to the board; (iv) have not been directors in the parent company or any of the subsidiary or associate companies of the company where they are nominated for board membership; (v) have no first degree relatives among the directors or key executives in the companies they serve in, or their parent, subsidiary or associate companies; (vi) have not held more than 20% of the shares of any of the above-mentioned parties during the two years preceding their candidacy or nomination to the board. The 2016 Code does, however, permit independent directors to hold less than 10% of the shares in the company, its parent, subsidiary or associate companies. On the one hand, this may promote board effectiveness as these directors may be more motivated to support and monitor the CEO/executive team to enhance their performance and hence the return on their own investment in the company. However, on the other hand, it may reduce board independence if it creates ties between independent directors and major shareholders. If independent directors see their interests as being aligned with those of major shareholders, they may support the opinions being put forward by these shareholders' representatives (e.g., for a high percentage of dividend distribution), even if this is at the expense of the company and minority shareholders' interests.

2.5.8.3 Board Chair

Companies in Oman must separate the position of the board chair from that of company CEO. The 2016 Code frames the major role of the board chair as being to ensure that the board effectively carries out its obligation to guide the company towards achieving its strategic goals. Accordingly, emphasis is placed on the importance of appointing a board chair with strong leadership skills. The board chair's role is broken down into a number of tasks, as follows:

- Preparing board meeting schedules and agendas, in cooperation with the company secretariat;
- Making sure that the agenda is distributed to all directors within a reasonable time before the meeting and ensuring that directors receive precise, clear and relevant information;
- Promoting and supporting constructive relationships among directors and between the board of directors and the executive management;
- Establishing effective interaction with shareholders;
- Launching an induction programme for new directors so that they are properly informed about the company business and employees;
- Facilitating useful contributions by directors;
- Ensuring the board's decisions are implemented and monitored;
- Arranging for the board to be objectively assessed by an external party (other than the internal and external auditors). This party should be chosen in the annual general meeting based on criteria agreed by the board or the general assembly; and
- Representing the company in front of the relevant courts and third parties.

2.5.8.4 Audit Committee and Internal Control

Under the 2016 Code, it is mandatory for the board to set up an audit committee and agree on its terms of reference, competences, roles and responsibilities. A minimum of three non-executive directors should make up the committee, the majority of whom should be independent, as should the committee chair. At least one member should have finance and accounting knowledge. In order to enhance the efficiency of the audit committee, the Code stipulates that it should meet at least four times per year, with the meeting only considered quorate if most of the independent directors attend. No individual is permitted to hold the chairpersonship of two board committees simultaneously, or to serve as both board chair and chair of the audit committee. In fact, the chair of the audit committee is not permitted to be a member of any of the other committees.

The Code requires the committee to request the attendance of the financial manager and head of the internal audit department at its meetings, but it may also call on any other employee of the company or professional and competent person to provide information and give advice and assistance. The audit committee is recommended to supervise the internal auditors by reviewing the internal control systems pertaining to financial statements and ensuring that they are designed, implemented and applied appropriately in every functional aspect of the company.

2.5.8.5 External Auditors

The 2016 Code recommends that the selection of an external auditor should begin with the audit committee choosing three proposals from among the audit companies authorised by the Capital Market Authority. Whichever one it chooses, it must be able to defend its recommendation to the board. Once the recommendation is approved by the board, the external auditor should be formally appointed in the ordinary annual general meeting for a period of 12 months (one financial year). This may be renewed several times, up to a maximum of four successive financial years. Once the fourth consecutive year is completed, the external auditor can only be reappointed after a cooling off period of two uninterrupted terms has elapsed. The Code emphasises the importance of external auditors reporting all detected or suspected violations to the board. If the detected or alleged breaches are material, a copy of this report must be submitted to the relevant regulatory authority; no permission is required for this from the company or the board of directors.

2.5.8.6 Nomination and Remuneration Committee

Unlike its 2003 predecessor, the 2016 Code requires boards to set up a nomination and remuneration committee. This committee, which must consist of a minimum of three directors and meet at least twice a year, must be fully transparent when formulating nomination policy, choosing directors of high capability and quality and not denying any shareholders the right to select or nominate candidates or to stand for election themselves. However, this provision, like some of the provisions of the Commercial Companies Law (see Section 2.5.7) in practice makes it easier for major shareholders to influence the board decision-making process. In this context, minority shareholders are likely to be squeezed out (Hashim and Amrah, 2016) as major shareholders use their shadow directors to initiate board agendas, advance their interests in the boardroom and influence board decisions (e.g., Mangena and Chamisa, 2008).

The committee is also expected to assist the board in selecting the executive management, and in developing an appropriate remuneration and incentive scheme to attract high-calibre executives. It must assist in the preparation of clear, realistic and accessible policies to inform shareholders about directors' and executives' pay incentives, and in the development of performance-based standards for determining CEO and senior executive incentives and remuneration. The committee is responsible for preparing in-depth job descriptions (covering functions and duties) for directors and the board chair in order to facilitate (i) the orientation of directors towards their tasks and roles and (ii) appraisal of their performance. With the consent of the board, the committee may seek the help and guidance of any other party in order to provide improved services.

2.5.8.7 Rules for Related Party Transactions

The provisions dealing with related party transactions require the disclosure of all relations, transactions and responsibilities related to any individual or business connected to the company. Agency relationships are addressed by requiring companies to disclose any aspects of contracts and transactions where there is a clash of interests between agents and principals. The Code requires the highest level of transparency and clarity from companies when it comes to related party transactions; details of all relevant parties must be disclosed in the annual report of the company, and the transactions must be reviewed by the audit committee before being endorsed by the board of directors or general assembly and implemented. Furthermore, a related party cannot participate in any vote related to the transaction.

2.5.9 Other Board Sub-Committees

To offer additional support to the board of directors and facilitate decision-making processes, some boards in Oman also establish non-mandatory sub-committees such as executive committees, investment committees, risk committees or credit committees. Such committees, which are not stipulated by the Code, are made up of outside directors. Al Matari et al. (2014) suggest that most boards of directors establish an executive committee. The pilot study showed that executive committees generally monitor the CEO/executive team's performance of approved projects and proposals and assess investment proposals, particularly if they are integrated with the investment committee. This is usually done on a quarterly basis. Investment committees are often found in companies with significant investments. The pilot study found that risk committees, which are sometimes integrated with the audit committee, are tasked with reviewing and assessing the overall risk aspects associated with the company's business. Credit committees tend to exist in financial institutions to oversee the institution's credit policy framework and review any credits which exceed the authority of the CEO/executive team. Any that do not need full board approval can be approved by the credit committee. Some financial institutions merge this committee with other board sub-committees such as the executive committee.

2.6 Omani Culture

There are a number of cultural differences between developing and developed countries (Hofstede, 2005). Like other Arab countries, but unlike most developed countries, Oman is characterised by high power distance, high uncertainty avoidance and collectivism (Moideenkutty et al., 2011), and its corporate context is characterised by hierarchical social structures and high reliance on informal rules and relationships (Elghuweel et al., 2016). These characteristics might affect board operations and processes in a very different way from those in western countries. For instance, high power distance might enable powerful directors such as the board chair or major shareholders' representatives to dominate the decision-making process, leaving less powerful directors unable to influence these directors' opinions and forced to accept decisions they don't agree with. In addition, the high reliance on informal rules suggests that companies may place their trust in kingship, nepotism and tribalism rather than formal corporate governance structures (Elghuweel et al., 2016). As Al-Hamadi et al. (2007) suggest, the tribal hierarchy significantly shapes the culture and social and organisational life in Oman. This has implications for board decision-making processes as directors are reluctant to challenge one another when they come from the same tribe. Similarly, the hierarchical relationship among directors might influence the decision-making process as board members direct their own knowledge and arguments towards serving the interests of their high-status colleagues. Directors may be dissuaded from expressing their views as the social hierarchical structure puts pressure on them to act in a certain way and accept views which may not necessarily be their own, whilst the collectivistic culture may lead outside directors to prioritise the interests of their family and tribe during the decision-making process. In addition, high uncertainty avoidance means that boards in Oman might be more inclined to approve proposals that they perceived less risky. Boards in such a culture might be more inclined to maintain harmony and consensus, reducing disagreements in the boardroom. However, this might also encourage flattery and a climate that makes directors less inclined to challenge each other.

2.7 Summary

This chapter has provided information on the context of Oman. It has given a general overview of the country's geographical, political and economic context and a more detailed picture of its business environment. The chapter has discussed the external elements of the corporate governance regulatory framework, including the Central Bank of Oman, the Ministry of Commerce and Industry, the Muscat Clearing and Depository Company, the Capital Market Authority and the MSM, and the internal elements represented by the 2016 Corporate Governance Code, the Capital Market Law and the Commercial Companies Law. Finally, it has discussed the key cultural characteristics of Oman and their implications for board decision-making processes.

This discussion has demonstrated that the prevalence of concentrated ownership and family ownership, and the weak legal protection of minority shareholders, potentially allow dominant shareholders to pursue their own interests at the expense of minority shareholders. Controlling families and major shareholders are able to appoint more directors to the board the more shares they own, and they prefer to appoint directors with whom they have a close relationship. This enables major shareholders to put forward proposals, incorporate their own interests into the board agenda and influence board decisions through their representatives. The chapter has also shown that board independence may be undermined in Oman by the Corporate Governance Code allowing independent directors to hold shares in the company on whose board they sit. In addition, it has highlighted the potential impact of Omani cultural characteristics (e.g., high power distance, high uncertainty avoidance, collectivism and hierarchical social structures), social norms (e.g., deference towards high-status individuals) and family/tribal loyalty on decision-making processes.

The contextual analysis shaped the design and scope of the study firstly, through its revelation that CEOs and executives are not permitted to attend board and sub-committee meetings in the capacity of board directors and have no voting power over board decisions. Accordingly, the decision was made to limit the study sample to outside directors serving on the boards and sub-committees of listed companies. Secondly, the analysis suggested that a qualitative research design would be best suited to obtain a more comprehensive understanding of how outside directors' engagements and interactions with each other, the CEO/executive team and other relevant individuals (e.g., shareholders, auditors and consultants) affect board decision-making processes; and how the directors themselves see the Omani context (e.g., concentrated ownership and major shareholders' representation) and culture (e.g., flattery, social status and family/tribal loyalty) as influencing these processes.

Chapter 3
Literature Review

3.1 Introduction

The previous chapter having provided a general overview of the Omani context, this chapter reviews the theoretical and empirical literature on board processes. In terms of the theoretical literature, the chapter reviews the key theories that have been employed to explain the board of directors' roles and discusses the main theoretical perspectives and concepts that have been applied to explain board processes before setting out the theories that underpin the present study. The review of the empirical literature covers the two main research streams in this area: the relationships between board structural attributes, board processes (effort norms, use of knowledge and cognitive conflict) and the board's performance of its advisory and monitoring roles (Section 3.7); and the board's inner workings and interactions in the boardroom – the so-called "black box" of board operations (Bezemer et al., 2014; Zona and Zattoni, 2007) and how these influence its decision-making processes (Section 3.8). Section 3.9 concludes the chapter with a summary.

3.2 Theories of Board Roles

The literature on boards of directors (e.g., Adams et al., 2010; Hermalin and Weisbach, 2003; Roberts et al., 2005; Hillman and Dalziel, 2003) employs a wide range of theories including agency theory, stewardship theory and resource dependency theory to understand and explain board roles. Agency theory is generally concerned with resolving agency problems between shareholders and the CEO/executive team (Fama, 1980; Jensen and Meckling, 1976; Sundaramurthy and Lewis, 2003) through the establishment of efficient governance structures and control systems (Eisenhardt, 1989; Fama, 1980; Jensen and Meckling, 1976), including a board of directors (Fama and Jensen, 1983; Fama, 1980; Jensen and Meckling, 1976). The theory emphasises the board's role in mitigating the agency problem, which it does by monitoring the CEO/executive team on behalf of shareholders (Tricker, 2012; Daily et al., 2003; Hillman and Dalziel, 2003) and evaluating the influence of the team's decisions and actions on shareholders' wealth (Fama and Jensen, 1983).

In contrast, stewardship theory and resource dependency theory place greater emphasis on the board's advisory role (Zona, 2015; Machold and Farquhar, 2013; Hillman and Dalziel, 2003; Sundaramurthy and Lewis, 2003; Stiles and Taylor, 2001; Hung, 1998; Pfeffer and Salancik, 1978). In stewardship theory, the board of directors is seen as a collaborative body that supports and advises the CEO/executive team (Sundaramurthy and Lewis, 2003), helps set company strategy (Machold and Farquhar, 2013; Sundaramurthy and Lewis, 2003; Hung, 1998) and reviews and evaluates CEO/executive team strategy (Hung, 1998). Resource dependency theory, meanwhile, sees the board of directors as the main provider of the resources a company needs to achieve its objectives (Pfeffer, 1972; Boyd, 1990; Pfeffer and Salancik, 1978; Hung, 1998). It sees the board of directors as complementary to the CEO/executive team, which it supports through its connections, knowledge and experience (e.g., advice and counsel, legitimacy and links to the external environment and resources) (Hillman and Dalziel, 2003; Pfeffer and Salancik, 1978).

The fact that these theories do not explain how boards perform their monitoring and advisory roles in practice has led scholars to turn to concepts from the group dynamics literature (Wan and Ong, 2005; Forbes and Milliken, 1999) in an effort to advance our understanding of board processes. This is discussed briefly in the following section.

3.3 Board Processes

As noted above, a number of studies (e.g., Hendry et al., 2010; Turley and Zaman, 2007; Zona and Zattoni, 2007; Wan and Ong, 2005; Forbes and Milliken, 1999) have employed concepts from the group dynamics literature, such as effort norms, use of knowledge and skills, cognitive conflict and affective conflict (e.g., Zona and Zattoni, 2007; Wan and Ong, 2005; Forbes and Milliken, 1999) in an attempt to understand the processes by which boards perform their advisory and monitoring roles.

Effort norms may be defined as the shared expectations and beliefs of board directors concerning the level of effort that each director should devote to board tasks (Forbes and Milliken, 1999; Wageman, 1995). They are likely to include the expectation that directors will devote sufficient time to preparing for meetings and carrying out research, and that they will actively participate in board discussions (e.g., Petrovic, 2008; Nadler, 2004; Forbes and Milliken, 1999). Use of knowledge and skills refers to the ability of directors to apply their knowledge and skills to board tasks, and the processes by which their contributions are coordinated (Forbes and Milliken, 1999). Cognitive conflicts, on the other hand, are those task-related disagreements that arise when directors express differing opinions on a particular board issue (Finkelstein and Mooney, 2003; Forbes and Milliken, 1999). If this disagreement is strong, the cognitive conflict can escalate to become an affective conflict (Forbes et al., 2010). Disagreements and conflicts may have their origins in personality clashes among directors or in dissatisfaction with the board process (Petrovic, 2008; Forbes and Milliken, 1999).

Despite these research efforts, the above concepts have not yielded in-depth description or explanation of the processes by which boards reach decisions.

Accordingly, the decision was made in this study to employ theory, rather than concepts, to offer a broad explanation of board decision-making processes. Social psychology offers a number of theories that might explain the processes by which boards of directors influence company decisions; this study employs social comparison theory (Festinger, 1954) and persuasive arguments theory (Burnstein,and Vinokur, 1975; Burnstein and Vinokur, 1973; Burnstein et al., 1973). However, since these theories alone are not enough to give a full understanding of the power and political dynamics of board decision-making processes, the study also employs power circulation theory (e.g., Ocasio, 1994). These theories and their implications for board decision-making processes are discussed below.

3.4 Social Comparison Theory

Social comparison theory is often employed in social psychology (Albert, 1977) to understand group processes and dynamics (Brown, 2000). The theory suggests that, in the absence of an objective means of evaluation, individuals rely on other people to subjectively validate their abilities and opinions (Festinger, 1954). Brown (2000) argues that, even where objective evaluation exists, social comparison remains highly important to individuals as a way of gaining knowledge about other individuals' abilities relative to their own and gauging where they stand within the group. The theory posits that individuals tend not to measure themselves against others at random but to choose individuals of similar opinions and abilities (Festinger, 1954).

Festinger (1954) suggests that the social comparison process leads individuals of similar opinions and abilities to move closer together, though he notes that whilst opinions can easily be changed once initial resistance has been overcome, it is much harder to reduce discrepancies in ability, especially in a short time period. Group members may take action to enhance their abilities because they aspire to be like other group members whom they consider to be slightly better than them, but this "unidirectional drive upward" (Festinger, 1954, p.124), although narrowing the gap, is unlikely to close it completely. Group members can ultimately reach uniformity and a state of social quiescence where opinions are concerned, but no such state can be achieved in the case of ability (Festinger, 1954).

Nevertheless, Festinger (1954) concludes that, generally, individuals value group uniformity and will do what they can to maintain it. As the pressure for uniformity increases, individuals are less likely to compare themselves against divergent members in the group. This process of making others incomparable reduces communication between similar and divergent members in the group. In terms of opinions, Festinger (1954) posits that the process of making others incomparable is often characterised by hostility or derogation, particularly if a discrepant opinion is seen as threatening the correctness of one's own views. This generally does not happen in the case of ability. As certain group members come to be seen as inferior and others as superior, status within the group becomes stratified (Festinger, 1954).

In the context of boards of directors, social comparison theory should be able to explain the process by which directors interact and influence decisions at the interpersonal level. The theory suggests that board directors assess their opinions by checking whether other directors share similar opinions. This process offers directors an assurance as to whether their opinions are correct or at variance with those of other directors. They will then tend to associate with directors whose opinions, in their judgment, concur with their own. If all the other directors share the same opinion – in other words, if the board takes a unanimous view – a collective decision is easily made.

However, as the literature (e.g., Hambrick et al., 2008; Goodstein et al., 1994; Baysinger and Butler, 1985) points out, boards are generally made up of directors with a range of occupational attributes and experience, and the issues they must deal with are often complex and ambiguous (Goodstein et al., 1994). They are therefore highly likely to hold different opinions and to respond differently to the issues under consideration (Forbes and Milliken, 1999). According to social comparison theory (e.g., Festinger, 1954), directors whose opinions are at variance with the opinions of most other directors on the board become relatively less confident in the correctness of their own views. By contrast, directors whose opinions are in agreement with the majority of directors become relatively more confident in the correctness of their opinions. Less confident directors are more influenced by the majority opinion, and a collective decision is made accordingly.

If, as Sanders and Baron (1977) suggest, individuals shift their opinion in order to maintain a socially desirable image within the group, it follows that a director holding a divergent opinion may change her/his opinion so as not to appear too out of step with others in the board. Festinger (1954) argues that this leads to opinions within the group becoming harmonised; on a board, opinions become less stable as directors seek to influence the opinions of other directors to bring them closer to theirs. This communication will be directed most obviously towards those whose opinions are different from the majority; once the dissenters have been persuaded and uniformity has been achieved, a board decision can be reached. Problems can arise, however, where directors see alternative opinions as threatening their own. If they are confident in their own view, they can see the expression of a different view by other directors as a challenge to their competence or judgment. This can lead to affective conflict (e.g., Pelled et al., 1999), with disagreements being accompanied by hostility and derogation (e.g., Festinger, 1954). Forbes and Milliken (1999) argue that affective conflict can sour the interpersonal attraction between directors and undermine their commitment to the board.

The board processes literature (e.g., Nordqvist, 2012; Stevenson and Radin, 2009; Leblanc and Schwartz, 2007; Huse, 2005; Huse, 2007; McNulty and Pettigrew, 1999; Pearce and Zahra, 1992) suggests that boards of directors address company issues both inside and outside formal meetings. Social comparison theory posits that, in the absence of an objective means of evaluation, directors subjectively evaluate their opinions by comparing them with those of other directors outside the formal meetings; having checked informally that their opinions are correct and in line with those of other directors, they can go into the formal meetings confident that they are in a socially desirable position. The same applies to ideas or proposals they are thinking of putting forward to the board of directors and CEO/executive team. It also follows that the CEO/executive team evaluate their own proposals informally with directors outside of formal board meetings.

In the matter of board appointments, the literature suggests that where CEOs are involved in the director selection process (e.g., Shivdasani and Yermack, 1999), they tend to favour directors with similar attributes to themselves (e.g., functional background) (Westphal and Zajac, 1995), or who serve on other boards that have CEOs with similar demographic attributes to themselves (Zhu and Westphal, 2014). As noted in Chapter 2, CEOs in Oman are not permitted to serve as board chair or to vote on board issues such as the appointment of directors. However, directors in key positions (e.g., board chair, major shareholders' representatives, nomination and remuneration committee chair) are able to select and appoint directors who have similar attributes and functional backgrounds to themselves. This similarity in terms of demographic attributes and philosophies arguably makes it more likely that their opinions will be supported by other directors, giving them an influence over board decision making.

The other basic assumption of social comparison theory is that individuals seek to evaluate their ability by comparing themselves with others they regard as similar. This comparison process both specifies the level of ability that a director on the board should exhibit when performing a particular ability-dependent task and clarifies the superiority and inferiority status of individual directors in regard to the task (e.g., Festinger, 1954). If board directors are motivated to demonstrate that they possess a high level of ability, they will do this by competing with other directors of similar ability to influence decisions on the board. They will attempt to perform at or slightly above the average ability of the board on the ability-dependent task. For instance, an independent director wanting to be as successful as other independent directors on the board might compete to perform at a level equal to or slightly above the other independent directors. This competition has the effect of narrowing the ability gap between directors for certain tasks, though it will not be removed entirely. When one director demonstrates considerably higher ability than her or his colleagues in a particular ability task, their superiority will be acknowledged and competition will cease, enabling them to exert greater influence in that area.

Miller (1982) and Zanna et al. (1975) argue that an individual's performance of an ability-dependent task can also be influenced by non-ability attributes such as effort (Miller, 1982). In the board context, this means that a director's performance of an ability-dependent task may also hinge in part on how much effort she/he devotes to their board duties. Forbes and Milliken (1999) contend that board directors devote varying amounts of time to board tasks. Some are able to devote only limited time because they are busy with their own work elsewhere or serve on multiple boards (Zhu et al., 2016; Finkelstein and Mooney, 2003; Carpenter and Westphal, 2001; Lorsch and Young, 1990). However, social comparison theory would suggest that here too, most directors evaluate themselves against their peers, competing with each other to devote equal or more effort to board tasks such as reviewing the information package prior to board meetings. This influences how the board as a whole performs its roles and responsibilities (Forbes and Milliken, 1999), with well-prepared directors being more likely than their unprepared colleagues to have an influence over decision making. As mentioned earlier, directors may prefer to nominate and appoint directors with similar demographic attributes and functional backgrounds to their own. This can also have implications for board decision making. For example, a group of directors who share a background in marketing are more likely to focus particularly on marketing when assessing an ability-dependent issue and to support a decision that is marketing-oriented. If this assessment is not shared by directors who come from other functional backgrounds, conflict may arise within the board's decision-making process (e.g., Zhu and Westphal, 2014).

Although the above discussion highlights the potential usefulness of social comparison theory in capturing board processes, the theory is not without limitations. It explains interpersonal interactions within the group setting, but Brown (2000) contends that social situations often include components of both interpersonal interactions and group-based interactions. Turner et al. (1987), Tajfel and Turner (1986) and Tajfel (1978) all suggest that becoming part of a group changes how individuals view themselves, causing them to redefine themselves and change aspects of their personal identity, such as personality traits or idiosyncratic characteristics, to fit in with the social identity of the group (in the context of a board, this might be a certain category of shareholders). Such change leads to uniform attitudes and behaviours among individuals of the same social identity, which ultimately become the characteristics of the group (Brown, 2000). Group identification and the process of categorisation, which assimilates members from the same category and accentuates the distance between members of different categories, may lead to intergroup conflict. The division of the group into an “in-group” and an “out-group” facilitates recognition and responses among members of similar categories and between members of different categories, ultimately increasing homogeneity within the former and reinforcing the differences between the latter (Brown, 2000).

Finally, social comparison theory explains the influence of group members on decisions from the normative perspective. It ignores the role of information in influencing group decision making (Burnstein, and Vinokur, 1977), even though the knowledge and experience that group members draw on to support and argue their point may be key to influencing the opinions of others on the board. One of the most important theories to explain the influence of information on group decisions is persuasive arguments theory (Burnstein, and Vinokur, 1977). Accordingly, this is discussed in the next section.

3.5 Persuasive Arguments Theory

Persuasive arguments theory suggests that, in the group decision-making process, any given decision will involve considering the various available alternatives (Burnstein et al., 1973). This requires discussion and an exchange of knowledge and information as group members each argue their own position (Burnstein and Vinokur, 1973). In this way, group members are exposed to a range of arguments demonstrating the respective merits of different courses of action, enabling them jointly to evaluate the best available alternative (Burnstein,and Vinokur, 1975). The most persuasive arguments (Burnstein et al., 1973) are those that reveal the superiority of a particular course of action during the group discussion (Burnstein and Vinokur, 1973).

The board process literature (Nordqvist, 2012; Stevenson and Radin, 2009; Leblanc and Schwartz, 2007; Huse, 2005; Huse, 2007; McNulty and Pettigrew, 1999; Pearce and Zahra, 1992) suggests that the exchange of knowledge and information among directors, and between directors and the CEO/executive team, occurs both inside and outside board meetings. In terms of informal information/knowledge sharing, the CEO/executive team may share information about strategy and proposals with the most knowledgeable and experienced directors, affording both groups an opportunity to assess the merits and demerits of a proposal and to decide whether it is worth raising formally with the board or relevant sub-committee. Directors may also ask the CEO/executive team to provide further clarification of proposed agenda items so that they can better assess the merit of these items before the formal board meeting. In terms of formal meetings, the board literature (e.g., Hambrick et al., 2008; Forbes and Milliken, 1999; Goodstein et al., 1994; Baysinger and Butler, 1985) suggests that directors exchange knowledge and information to support the opinions they have developed based on their personal experience and the information they have obtained informally from the CEO/executive team. In the course of this exchange of information, more arguments and counterarguments become available to all directors, enhancing their understanding of the issues.

Social comparison theory suggests firstly, that directors who are the least able to grasp the detail of the issue under consideration will acknowledge the persuasiveness of the argument presented by those who are the most able, and secondly, that the final decision is highly likely to be influenced by the arguments put forward by those holding the majority view. This is because directors whose opinions differ from the majority view may be more hesitant to express counterarguments that set them apart from the rest. If, however, these dissenting directors provide the most persuasive argument, they may still influence the board's decision. This is particularly true if they have more experience with the issue under consideration than their colleagues, or if there is a high level of interpersonal trust and open communication on the board (Zhu, 2013).

However, Zona (2015) argues that directors also exchange information to protect their own interests and those of the people they represent. This suggests not only that the different arguments presented in the board are likely to reflect a range of different interests but also that the argument accepted by the board as the most persuasive may in practice favour the interests of one group (e.g., major shareholders) over others (e.g., minority shareholders). Since both directors and CEOs/executive teams engage in political processes to influence decision making, a more comprehensive explanation and understanding of board processes will be achieved by supplementing the insights drawn from social comparison theory and persuasive arguments theory with those drawn from power circulation theory.

3.6 Power Circulation Theory

Power circulation theory, which is drawn from elite circulation theories (Ocasio, 1994), was extended to organisations by Selznick (1957). It views companies as political coalitions, with the societal elites at the top of the company hierarchy being the main political actors (Combs et al., 2007). The principal thesis of power circulation theory is that organisational power is not institutionalised or entrenched within certain individuals or political coalitions, but that it shifts continuously due to the interplay between the obsolescence and contestation mechanisms (Gavetti et al., 2012; Ocasio, 1994; Combs et al., 2007). The concept of obsolescence suggests that the power of individuals or coalitions in the company is tied to their past performance and previous decisions, which over time are rendered obsolete. Furthermore, these political coalitions and individuals are engaged in a constant competition (contestation) for organisational power, even initiating political obstacles in the path of other powerful coalitions or individuals in the company. Therefore, the individual or the political coalition that is in the position of power, struggles to maintain their power (Ocasio, 1994; Combs et al., 2007).

A number of studies have applied power circulation theory to explain and understand the political and power dynamics in companies (e.g., Combs et al., 2007; Shen and Cannella, 2002; Ocasio, 1994), though they have generally focused on top executives (CEOs and other key executives) rather than directors. These studies have observed that although key executives may form political coalitions to compete for the CEO's position and power, this power cannot be monopolised by one coalition; the interplay between obsolescence and contestation means that it shifts constantly over time between the various managerial coalitions in the company (Combs et al., 2007).

In the context of boards of directors, coalitions are built not only within the CEO/executive team, but also between the CEO/executive team and the board of directors, and among outside directors. All aim to influence board decision making. As noted in Chapters 1 and 2, in most Omani companies, ownership is closely held by families and government, and the larger the shareholder, the more directors it is permitted to appoint to represent it on the board. These outside directors will engage with the shareholders they represent to better understand their interests and purposes and will deliberate key board issues with them. They may then engage with one another outside the boardroom to form political coalitions and align their interests, allowing them to present a unified front in formal meetings. For example, if a major shareholding family with holdings in the private education sector wants to expand its presence in the sector (e.g., by acquiring a university), it may interact with its representative directors to raise a proposal to invest in the sector. These directors will discuss this outside the boardroom and then interact with other outside directors, also informally, to convince them about the benefits of this investment to the company and to accept the proposal in the formal meeting.

Less powerful individuals, such as outside directors who represent the interests of minority shareholders or of other large shareholders, may create coalitions of their own to counterbalance the power and influence of the major shareholder's representatives on board decisions. These directors may interact with other outside directors before the formal meeting if they feel that the board agenda is unduly influenced by the interests of the major shareholder. Directors representing minority shareholders may also build a coalition specifically to influence the major shareholder's representatives if the latter appear inclined to make a decision that is against the interests of minority shareholders (e.g., choosing a substantial dividend pay-out rather than capital appreciation). Where conflicts do emerge between political coalitions in the boardroom, directors may engage in political bargaining outside the boardroom to further deliberate the issues and reach a compromise (Van Ees et al., 2009; Stevenson and Radin, 2009; Ravasi and Zattoni, 2006).

CEOs may also form political coalitions to influence board decisions. As noted in Chapter 2, CEOs in Oman do not attend board meetings in a directorial capacity and cannot vote on board issues. Consequently, they may interact with outside directors to lobby them to adopt their recommendations and influence board decisions in their favour. For example, they may discuss with the board chair and/or outside directors the bonus and incentive scheme they propose to offer to the company's employees and build a coalition designed to influence this decision in the meeting, particularly if the CEO believes that the decision will not be supported by directors representing dominant or major shareholders.

As far as the influence of these coalitions on board decisions is concerned, directors representing the major shareholder may be expected to have the greatest influence over board decisions, particularly if this shareholder owns a significantly larger percentage of shares than the second-biggest shareholder. Adelopo et al. (2019) demonstrate that even where a company's ownership is held by multiple large shareholders, a substantial difference in the shareholding percentage between the largest two shareholders makes it easier for the bigger of the two to dominate the board and expropriate personal and private interests and benefits. If this difference in shareholding percentage is insignificant, however, the bigger shareholder is less able to dominate and influence the board. According to Adelopo et al. (2019), this is because (i) the second-largest shareholder is better able to monitor the actions and behaviours of the largest shareholder and (ii) both shareholders are more likely to be inclined to establish an independent board structure to govern the company, rather than competing for corporate control.

However, power circulation theory provides other explanation for this phenomenon. It suggests that the major shareholder will struggle to maintain its power as this power erodes and moves over time to other political coalitions (e.g., to the second-largest shareholder). Accordingly, the directors representing this shareholder will also see their power shift over time towards the coalitions of directors who represent other shareholders. This is particularly likely if the decisions they have made prove not to have been in the best interests of the company or to have had substantial adverse effects on its growth, development or performance.

The main limitation of power circulation theory is its assumption that powerful directors are engaged in an ongoing struggle to maintain their power. This is not necessarily the case, particularly if ownership is concentrated mainly in the hands of one dominant shareholder (e.g., Adelopo et al., 2019). In addition, the theory accounts only for the political processes that occur among individuals outside formal meetings, such as coalition building and decision lobbying, but as the literature (e.g., Parker, 2007a; Parker, 2007b; Ravasi and Zattoni, 2006; McNulty and Pettigrew, 1999; Pearce and Zahra, 1992) points out, the CEO/executive team and board of directors also interact outside the boardroom to consider strategic issues and proposals. Despite their individual limitations, however, social comparison theory, persuasive arguments theory and power circulation theory together have the potential to offer rich insights into the board decision-making process being investigated in this study.

3.7 Board Structural Attributes, Board Processes and Board Performance

The previous sections discuss and define the main theories that are used to explain board roles and the concepts applied to explain board processes. The following sections review the empirical studies that have sought to understand how boards of directors perform these roles and make decisions. The empirical literature can be broadly divided into two streams of research. One stream has focused on understanding how board structural attributes affect board processes (e.g., Bettinelli, 2011; Wan and Ong, 2005), how both board structural attributes and processes influence board role performance (e.g., Minichilli et al., 2009; Minichilli et al., 2012; Zona and Zattoni, 2007; Wan and Ong, 2005), and whether board processes mediate the relationship between board structural attributes and board performance (Wan and Ong, 2005) and between family involvement in the business and board performance (Zattoni et al., 2015). The second stream of studies has attempted to understand board decision-making processes by exploring the inner workings and interactions of boards of directors (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Machold and Farquhar, 2013; Peebles, 2010; Brundin and Nordqvist, 2008; Parker, 2007a; Parker, 2007b; Parker, 2008; Huse et al., 2005; Samra-Fredericks, 2000). This research stream is more relevant to the focus of the present study, which is reviewed in Section 3.8.

Studies examining the relationship between board structural attributes, board processes and role performance (Minichilli et al., 2009; Minichilli et al., 2012; Zona and Zattoni, 2007; Wan and Ong, 2005) often adopt the model of board processes developed by Forbes and Milliken (1999), which proposes effort norms, use of knowledge and cognitive conflict as the key board processes that mediate the relationship between board structural attributes and board roles and company-level outcomes. The effects of these processes and the key findings of these studies are reviewed in the subsequent sections.

3.7.1 Board Structural Attributes, Effort Norms and Board Performance

A number of studies have attempted to understand the effects of board structural attributes on board effort norms (e.g., Bettinelli, 2011; Wan and Ong, 2005) and the effects of board structural attributes and board effort norms on the board's advisory and monitoring performance (e.g., Minichilli et al., 2009; Minichilli et al., 2012; Zona and Zattoni, 2007; Wan and Ong, 2005). They have also sought to investigate whether effort norms mediate the relationship between (i) board structural attributes and board performance (e.g., Wan and Ong, 2005) and (ii) family involvement in the business and board performance (Zattoni et al., 2015).

The results pertaining to the influence of board structural attributes on effort norms are mixed. When Wan and Ong (2005) surveyed the board chairs, non-executive and executive directors and board secretaries of publicly listed companies in Singapore to examine the relationships among CEO-chairman duality, the number and proportion of outside directors, effort norms (as measured by directors' commitment to information review and other board tasks) and the board's advisory (service, strategy and resource dependency) and monitoring role performance, they found that the proportion of outside directors and CEO-chairman duality did not affect board processes. By contrast, Bettinelli (2011) and Rutherford and Buchholtz (2007) found that outside directors have a critical impact on effort norms. When Bettinelli (2011) examined the influence of outside directors on board processes in family companies in Italy via a survey, she found a positive relationship between the proportion of outside directors and the effort norms of the board, though this relationship was moderated by business size and age. This suggests that in family companies, particularly older and larger family companies, boards with a higher proportion of outside directors devote greater effort to their duties. Drawing on agency theory, Rutherford and Buchholtz (2007) and Rutherford et al. (2007) argued that outside directors take actions aiming at reducing information asymmetry to offer vigilant monitoring and protection to shareholders' interests. Rutherford and Buchholtz (2007) examined the effects of the proportion and tenure of outside directors on boards' information quality, active information-gathering and frequency of interaction with the company and with each other (as represented by the number of board committees) in US public companies. The findings show that higher number of outside directors are associated positively with board information quality and active information-gathering. They also found a positive relationship between board tenure (the proportion of outsiders who are not elected to the board during the CEO's tenure) and the number of board subcommittees, suggesting that when the number of outside directors who are appointed before the appointment of the CEO increases, board interaction increases too. While Rutherford et al. (2007) examined the effects of boards' information quality, active information-gathering and frequency of interaction on CEO pay tied to company performance and formalisation between the board and the CEO (the ability of the board to design and implement effective rules and policies to constrain CEO behaviour). They found that boards' information quality and frequency of interaction are positively related to CEO pay tied to company performance. The findings also demonstrate that higher levels of boards' information quality and active information-gathering associated with more CEO control mechanisms including CEO pay tied to company performance and effective rules and policies relating to CEO behaviour.

However, neither Bettinelli (2011) and Rutherford and Buchholtz (2007) nor Wan and Ong (2005) take account of other important board structural attributes that may influence board processes and role performance, such as diversity in the functional backgrounds of board directors. Rather than confining investigation to the number and proportion of outside directors on the board, consideration of these other structural attributes would enhance our understanding firstly, of the interactions between board knowledge (which outside directors bring to the board) and directors' preparation for and participation in board tasks (effort norms), and secondly, of how this knowledge affects the board's engagement in strategy development, advice provision and monitoring.

As with the effect of board structural attributes on board processes, the evidence on the effects of board structural attributes on board performance is also mixed. Examining the effects of board structural attributes and effort norms on board performance, Minichilli et al. (2009) and Zona and Zattoni (2007) distributed questionnaires to the CEOs of large industrial companies in Italy. Minichilli et al. (2009) found that board background diversity was negatively related to the board's performance of its advisory and monitoring roles, suggesting that a high level of diversity may inhibit directors from offering advice and monitoring the CEO/executive team. On the other hand, the same authors report a positive relationship between board size and the output control[13] of the board. This is supported by Zona and Zattoni (2007), who also found a positive relationship between board size and the board's performance of its monitoring role. Conversely, Minichilli et al. (2009) found board size to be negatively related to advice provision. These findings suggest that larger boards are less likely to offer advice but better able to monitor CEO/executive team performance and the company's financial affairs and position. Another structural attribute considered by Minichilli et al. (2009) and Zona and Zattoni (2007) is directors' shareholding (i.e., the number of directors with shareholdings as a proportion of the total number of directors), which they found to be positively related to the board's performance of its networking role. This suggests that having a high proportion of shareholding directors makes it easier for the board to link the company to important external stakeholders and enhance its external legitimacy and reputation.

The number of outside directors on the board has been shown to have a range of effects on board performance. For example, when Minichilli et al. (2012) surveyed

[13] Output control was measured by asking CEOs to assess the extent to which the board: (i) ensured that activities were well organised, (ii) developed budgets and plans and (iii) was kept informed about the financial position of the company.

the CEOs of medium and large companies in Norway (characterised by Scandinavian systems and a collectivistic culture) and Italy (which follows French systems and has an individualistic culture) to examine the determinants of board effectiveness in performing the monitoring and advisory roles, they found that the ratio of non-executive directors to the total number of directors was negatively related to board advice provision but positively related to the monitoring role. Other studies have found the outsider ratio to be negatively related to board strategic participation (Minichilli et al., 2009) but positively related to its networking role (Zona and Zattoni, 2007). These findings suggest that boards with a higher number of outside directors are less concerned with giving advice and developing strategy than they are with their monitoring role and with establishing contacts with relevant stakeholders and helping legitimise the company in its environment.

Not surprisingly, several studies have indicated the positive impact of effort on board performance. Minichilli et al. (2009), Zona and Zattoni (2007) and Wan and Ong (2005) all report a positive relationship between board effort norms and the board's performance of its roles, with Zona and Zattoni (2007) and Wan and Ong (2005) highlighting the impact on board monitoring, advice provision and strategy contribution, and Wan and Ong (2005) showing the positive effect on its performance of its resource dependency role (as evidenced in its ability to provide alternative viewpoints and channels of communication between companies). Effort norms are also shown to be positively related to the board's networking performance (i.e., its contribution to the legitimisation of the company and the provision of contacts with relevant stakeholders) in Zona and Zattoni's (2007) study, though the association is weak. Minichilli et al. (2009) found that directors' commitment to preparing for formal meetings and their engagement and participation in these meetings was positively related to both its advisory (advice, networking and strategic participation) and monitoring (behavioural control, output control and strategic control) performance. Their findings suggest that this commitment on the part of directors to prepare for and involve themselves in board deliberations is the most influential factor in how the board performs all its tasks.

Generally, studies (Minichilli et al., 2009; Minichilli et al., 2012; Zona and Zattoni, 2007; Wan and Ong, 2005) examining the effects of board structural attributes and effort norms suggest that effort norms are more important than board structural attributes in predicting board role performance; Minichilli et al. (2012), for example, found effort norms to be more significant than board structural attributes such as CEO duality, board size, directors' shareholding and non-executive ratio in both the Italian and Norwegian contexts. These structural attributes had no significant relationship with board role performance, with the exception of the non-executive ratio (which they found was positively related to the monitoring role, as discussed above). Minichilli et al. (2009) also conclude that the commitment of directors and their preparation and engagement during board meetings are better predictors of board task performance than board structural attributes, as do Wan and Ong (2005), who found no relationship between CEO-chairman duality and the number and proportion of outside directors and board role performance, and that effort norms had no mediating effect on the relationships between these board structural attributes and board role performance. Zona and Zattoni (2007) concur that effort norms influence board role performance but argue that some board structural attributes may also influence performance to a limited extent.

One of the limitations of the studies by Minichilli et al. (2009), Zona and Zattoni (2007) and Wan and Ong (2005) is that they do not examine the effects of board processes and roles on company-level outcomes. Such an investigation would help us develop a better understanding of which board processes contribute the most to company performance and the achievement of positive outcomes. Zattoni et al. (2015) go some way towards this by examining the mediating effect of effort norms and roles in the relationship between family involvement in business and company performance. The authors surveyed CEOs in small- and medium-sized (SME) non-public companies in Norway and found that family involvement had a positive impact on board effort norms, which in turn had a positive impact on the board's performance of its advisory and monitoring roles (they identified a positive path coefficient from board effort norms to board roles). The board's advisory role performance was found to be positively related to company financial performance, suggesting that effort norms and board advisory role performance mediate the relationship between family involvement and the financial performance of the company. By contrast, Minichilli et al. (2012) found that both advisory and monitoring role performance were positively related to company financial performance.

The effects and predictive power of effort norms on board role performance and effectiveness vary between cultures and contexts. The level of preparation and commitment directors devote to board meetings and work may, for example, depend on the national culture and whether it is characterised by high or low power distance, or is individualist or collectivist in orientation. In their comparative study on board processes in Norway (a collectivistic culture) and Italy (an individualistic culture), Minichilli et al. (2012) found that effort norms were positively related to the board's monitoring and advisory role performance, and further, that high power distance and individualistic culture positively moderated the effect of effort norms on both board roles. This suggests that effort norms are a stronger predictor of board role performance in cultures where high levels of individualism and power distance prevail.

The literature on effort norms has mainly attempted to examine the relationships among board structural attributes, effort norms and board advisory and monitoring performance. This literature has offered mixed results in relation to the effects of board structural attributes on effort norms and the board's advisory and monitoring role performance, but it has been more consistent in its conclusion that high effort norms always have a positive impact on boards' role performance, and that this in turn has a positive impact on company financial performance. Finally, the level of board commitment differs depending on the context in which the company operates, with directors more likely to be diligent in their preparation and participation in high power distance and individualistic cultures.

3.7.2 Board Structural Attributes, Use of Knowledge and Board Performance

The literature on board use of knowledge has mainly sought to enhance our understanding of how this and board structural attributes impact on board advisory and monitoring performance (e.g., Minichilli et al., 2009; Minichilli et al., 2012; Zona and Zattoni, 2007; Wan and Ong, 2005), whether the board's use of its knowledge and skills mediates the relationship between board structural attributes and advisory and monitoring performance (e.g., Wan and Ong, 2005), and the relationship between board knowledge and board involvement in strategy development (Barroso-Castro et al., 2017). It has also attempted to understand the relationship between directors' utilisation of CEO/executive team information and board involvement in strategy development (e.g., Zhu et al., 2016).

The results of these studies indicate that how the board uses its knowledge is critical to its ability to monitor company performance and to advise and contribute to CEO/executive team strategy development. For example, in their comparative study on the influence of context and culture on the relationship between board processes and role performance, Minichilli et al. (2012) found a positive relationship between the board's use of knowledge and skills and its monitoring and advisory role performance. Zona and Zattoni (2007) identified a similarly positive impact on the board's advisory and monitoring role performance (which they divide into monitoring, service and networking) among large industrial companies in Italy. Further, their study suggests that board use of knowledge and skills is a more significant determinant of board role performance and effectiveness than effort norms and cognitive conflict because, unlike the other two variables, it was associated positively and strongly with performance across all roles: that is, monitoring, service and networking. Similar conclusion is echoed by Van Ees et al. (2008) when they examined the effects of board processes on board advisory and monitoring performance. They found that use of knowledge was related positively with the advisory and monitoring roles performance, whereas effort norms had no relationship with board roles performance, and cognitive conflict was related positively and negatively with board monitoring and strategy roles performance, respectively. They also examined the moderating effect of trust on the relationships between these board processes and the monitoring role and found that trust negatively moderated the relationship between use of knowledge and board monitoring performance. This suggests that high trust context lowers board use of knowledge relating to the monitoring role. Wan and Ong (2005) also identify the positive effect that the presence and use of knowledge and skills have on all of the board's monitoring, service, strategy and resource dependency roles, though it is worth noting that they conclude that board structural attributes do not affect board processes and role performance, and that board processes do not mediate the relationship between board structural attributes and board performance.

Wan and Ong (2005) make a distinction between the *presence* and *use* of knowledge and skills, with the presence within the board of strategic thinking, analytical skills, communications and interaction skills being considered a structural attribute, and the utilisation of these skills being considered a board process. It can be argued that conceptualising the presence of knowledge and skills and the utilisation of this knowledge and these skills in one construct as a board process may provide misleading results if the effects of board structural attributes and board processes on board roles are being examined separately. In this case, the presence of knowledge and skills should be accounted as a structural attribute with other board structural attributes (e.g., CEO-chairman duality and the outside director ratio). As the literature (Zhu et al., 2016; Zona and Zattoni, 2007) suggests, the mere presence of knowledge and skills does not necessarily guarantee that these skills will be put to use or that an effective coordination mechanism exists to integrate directors' various contributions.

Accordingly, directors' utilisation of knowledge and skills may serve as a mediator in the relationship between the presence of knowledge and skills and board task performance. This was highlighted by Barroso-Castro et al. (2017) when they examined the mediating effects of board processes on the relationship between the presence of knowledge on the board (as evidenced by directors' knowledge of the company and their job-related diversity) and board strategic involvement. The authors distributed a questionnaire to board secretaries in Spain in which the respondents were asked to report on board processes, including board critical and independent approach and board comprehensive discussion. The critical and independent approach was measured by asking boards secretaries the extent to which the board (i) was active in finding information beyond that reported by the CEO/executive team, (ii) was willing to express its opinion if it disagreed with CEO/executive team proposals and (iii) asked critical questions regarding the information supplied by the CEO/executive team. The comprehensiveness of the board's discussion process was also measured by means of statements investigating whether board meetings were characterised by thorough discussion and creative debate. The findings show that a critical and independent approach and comprehensive discussion processes positively mediate the relationship between board knowledge and board involvement in strategy.

Examining the effect of board knowledge (as represented by directors' functional backgrounds) on board role performance, Minichilli et al. (2009) found a negative relationship between functional background diversity and the board's performance of its advisory role and the behavioural and output control aspects of its control role. Milliken and Martins (1996) suggest that functional background diversity may have multiple effects on group performance. On the one hand, it is likely to bring cognitive advantages to group decision making, but on the other, it may make processes less efficient if directors encounter interaction difficulties that prevent them from reaching their full potential (Forbes and Milliken, 1999). Background diversity may also have a negative impact if directors have been chosen for reasons other than their ability to meet the company's needs. This may raise questions about the ability of the nomination committee to select and retain outside directors who have the resources that are of most use to the company (Minichilli et al., 2009). When Zhang (2010) surveyed CEOs in Norway to examine the effect of board information diversity (job-related diversity in functional, industrial and educational backgrounds) and use of information (open discussion[14], effective leadership[15] and active search) on strategic task performance, she found both board information diversity and use of information to be positively correlated with strategic task performance, with open discussion having a greater impact than board information diversity, the chair's leadership role in discussion and directors' own search activities.

The difficulty with the studies by Barroso-Castro et al. (2017), Minichilli et al. (2012), Wan and Ong (2005) and Zhang (2010) is that they fail to demonstrate the influence of board use of knowledge on company-level outcomes, limiting our understanding of this factor's impact on company performance. In contrast, Zattoni et al. (2015) sought to investigate this issue by examining the mediating effect of board use of knowledge and board role performance in the relationship between family involvement in business and company performance. They found that family involvement in business positively influences company financial performance, and that this relationship is mediated both by the board's use of knowledge and its advisory and monitoring role performance. He and Huang (2011) argued that directors' deference to one another competence coordinates and facilitates board interactions and deliberation, thereby enable board of directors to contribute effectively to company performance. They examined the effect of clarity of the informal hierarchy of a board of directors (as represented by directors' deference for each other) on company financial performance and found that the former is positively related to company financial performance (measured by return on assets).

[14] Measured by asking CEOs about the willingness of directors to discuss different professional views and accept the risk of being wrong.
[15] This captured the board chair's efforts to stimulate and summarise the discussion and their ability to resist prioritising their own interests and opinions.

Also important to company strategy and outcomes is the provision of adequate information by the CEO/executive team and the board's utilisation and discussion of this information. Zhu et al. (2016) examined the effect of board processes on board involvement in strategic decision making and the influence of the latter on company-level outcomes by means of a questionnaire distributed to directors serving on for-profit and non-profit companies in Canada. They found that whilst the CEO/executive team's provision of information was crucial to the board's utilisation of information in both types of company, it only affected the board's involvement in strategy in for-profit companies. Furthermore, the board's utilisation of the information provided by the CEO/executive team mediated the relationship between information availability and board strategic involvement in for-profit companies. Zhu et al. (2016) demonstrated that in non-profit companies, the board's strategic involvement was facilitated not by its utilisation of the available information but by specially convened strategic board meetings. In both types of company, board involvement in company strategy had a positive influence on company-level outcomes such as financial performance, industrial competitiveness and innovation. These findings suggest that the information submitted by the CEO/executive team has to be used by directors before it can influence board strategic decisions, and that adequate utilisation of this information enables the boards of for-profit companies to participate actively in shaping company strategy and reaching positive outcomes.

Just as effort norms are influenced by differences in culture, the degree to which the board uses its knowledge may differ depending on the model of company ownership and the interests and motives of directors serving on the board. For example, when Zona (2015) examined the impact of family ownership stages on board decision-making processes in large manufacturing companies in Italy, he found that boards made the least use of their knowledge and skills for decision making in companies owned by a sibling partnership. This is because under this ownership model, the board's voting power tends to be moderated and the family members' interests divergent. On the other hand, in her study of the relationship between board composition and processes in family companies, Bettinelli (2011) found that board use of knowledge and skills enhances and strengthens as the company matures.

To sum up, the literature on board use of knowledge and skills has generally focused on the effects of board structural attributes and use of knowledge on board performance and involvement in strategy. It demonstrates that board utilisation of knowledge is positively related to the board's ability to perform its advisory and monitoring roles, and that the information submitted by the CEO/executive team, and how this is used by the board, are critical to achieving board effectiveness and positive company outcomes. Finally, the degree to which the board uses its knowledge and skills may differ according to ownership structure, company type and directors' interests.

3.7.3 Board Structural Attributes, Cognitive Conflict and Board Performance

The literature addressing board cognitive conflict (i.e., task-related disagreements) has sought to understand how directors' different views and disagreements affect board performance (Zona and Zattoni, 2007; Wan and Ong, 2005) and mediate the relationship between board structural attributes and board strategic involvement (Barroso-Castro et al., 2017). It has also attempted to understand the mediating effects of board cognitive conflict and board performance in the relationship between family involvement in business and company outcomes (Zattoni et al., 2015). However, as demonstrated below, the statistical findings concerning the effects of cognitive conflicts on board role performance are mixed; there is disagreement over whether they influence board performance of all roles, particularly the monitoring role, and where they have been shown to have an influence, this can be positive or negative, depending on the study and the context.

For example, whilst Wan and Ong (2005) found cognitive conflict to be related significantly and positively with the board's performance of all its monitoring, service, strategy and resource dependency (similar to networking) roles, Zona and Zattoni (2007), in their study on the effects of board processes on board role performance, found cognitive conflict to have a positive impact only on the board's performance of its networking role. Furthermore, when Minichilli et al. (2009) examined the impact of critical debate[16] (similar to cognitive conflict) on the board's advisory (as measured in its advice provision, networking and strategic participation) and monitoring role performance, they identified a positive effect on advice provision and networking but no significant impact on monitoring role performance. Zattoni et al. (2015), meanwhile, found cognitive conflict to have a positive impact on advisory role performance only. Their study also identified a positive correlation between advisory role performance and company financial performance, and a negative correlation between family involvement and board cognitive conflict, suggesting that cognitive conflict and advisory role performance positively mediate the relationship between family involvement and company financial performance.

The lack of empirical evidence in the studies of Zattoni et al. (2015), Minichilli et al. (2009) and Zona and Zattoni (2007) regarding the effect of cognitive conflict on the board's performance of its monitoring role is arguably partially explained by the

[16] Critical debate was measured by asking CEOs to what extent the board disagreed about (i) the decisions to be taken during board meetings, (ii) the company's legitimate stakeholders, (iii) the company's general purposes, (iv) the board's working style and (v) the decision process.

perceptual bias arising from their use of a single respondent group; each of these studies surveyed samples made up solely of CEOs. In contrast, Wan and Ong (2005), who also surveyed board chairs and executive and non-executive directors, found that cognitive conflicts do affect the board's performance of its monitoring role. As Minichilli et al. (2009) suggest, CEOs may produce a biased or idealised version of events; it is the view of the present researcher that by concentrating exclusively on CEOs' perceptions, these studies ignore the evidence offered by boards themselves, including their perceptions around CEO/executive team performance. Such an omission means that some statistically significant relationships may not be identified.

It might also be argued that the negative impact of family involvement on cognitive conflict identified by Zattoni et al. (2015) may be partially due to an unequal dispersion and distribution of company ownership and power among family members in these companies. This might inhibit other less powerful family members from disagreeing with the views of dominant family members in the business. As Zona (2015) demonstrates, cognitive conflict is common in sibling partnerships where ownership is equally dispersed among family directors and the board's voting power is limited. In other words, disagreements on board agenda and company issues occur more frequently when ownership is held relatively equally by several individuals and constituents and there are no dominant directors or individuals with substantial influence over the decision making. In this sort of environment, directors are likely to find it easier to express dissenting views.

As demonstrated above, the literature suggests that cognitive conflict does not affect how the board performs all its roles. However, the lack of empirical evidence concerning the effects of cognitive conflict on some board roles might be due to the research context. In Minichilli et al.'s (2012) comparative study of Norway and Italy, for example, their basic model captured the standalone effect of cognitive conflict and showed no significant relationship between it and board monitoring and advisory role performance. When the interactions of all board processes were introduced into the model, negative relationships were documented between cognitive conflict and monitoring and advisory role performance. However, when the interaction effects of context were introduced, the cognitive conflict process was found to be positively related to advisory role performance in Italy only. This suggests that the individualistic and high-power distance context in Italy positively moderates the effect of cognitive conflict on advisory role performance.

As for the mediating role of cognitive conflict in the relationship between board structural attributes and board strategic involvement, Barroso-Castro et al. (2017) found that cognitive conflict has a negative mediating effect on the positive relationship between board knowledge and board strategic involvement. This suggests that strategic involvement is not facilitated when directors have widely divergent views on the issue under discussion.

Taken together, studies into board cognitive conflict have attempted to understand the impact of disagreements among directors on board performance and effectiveness. Unlike the results on board effort norms and use of knowledge, the findings on the effects of cognitive conflict are mixed and complex. In Wan and Ong's (2005) study, cognitive conflict is positively related to the board's performance of all its roles, whereas in other studies it is negatively related to role performance (Minichilli et al., 2012) or associated positively only with the advisory role (Zattoni et al., 2015; Minichilli et al., 2009; Minichilli et al., 2012[17]; Zona and Zattoni, 2007) and thereby

[17] When introducing the context of the relationship between board processes and board task performance.

with company performance (Zattoni et al., 2015). Further, the level of task-related disagreement on the board has been shown to differ according to ownership structure and directors' interests and motives.

The literature generally suggests that board processes are more important than board structural attributes in predicting board performance and effectiveness. For example, Minichilli et al. (2012) conclude that board structural attributes have limited effect on either board role performance or company performance, with board processes being much more important predictors of board role performance. Zona and Zattoni (2007) also argue that board processes are more important than board structural attributes in predicting board role performance, whilst Wan and Ong (2005) conclude that board structural attributes do not affect either board processes or board roles, whereas board processes affect board role performance. However, the present study argues that board structural attributes and processes are both important for board performance and effectiveness, and that they should be viewed as complementary to rather than substitutes for board performance and effectiveness. In other words, they cannot work in parallel to influence and enhance board performance and effectiveness. Ceteris paribus, both should be present if a board is to achieve positive outcomes.

3.7.4 Key Limitations of Board Structural Attributes, Board Processes and Board Performance Literature

On the whole, studies into board structural attributes, processes and performance (e.g., Minichilli et al., 2009; Zona and Zattoni, 2007) have generally failed to examine the mediating effects of board cohesiveness (the motivation of directors to continue working together on the board) and affective conflict (the personal and relational conflicts among directors) in the relationship between board structural attributes, board processes and board role performance. Arguably, board cohesiveness and cognitive conflict may interact in different ways according to the level of board cohesiveness. On the one hand, frequent cognitive conflicts and heated debates in the context of low board cohesiveness may lead to affective conflicts between directors that, according to Wan and Ong (2005), adversely affect board role performance. On the other hand, high board cohesiveness may reduce task-related disagreements among directors – but also promote groupthink (e.g. Zhu et al., 2016; Forbes and Milliken, 1999). In terms of family companies specifically, Bettinelli (2011) found a positive relationship between the proportion of outside directors and board cohesiveness, with this relationship being moderated by business size and age; in other words, a higher proportion of outside directors strengthens board cohesiveness in older and larger family companies. At the same time, she found that the family companies in her study were more cohesive when their top CEO/executive teams were made up solely of family members. It is worth noting, however, that Bettinelli's study investigated board cohesiveness using cross-sectional data, when longitudinal data would arguably have been more appropriate. Board cohesiveness might be captured more effectively by following board interactions and performance over a prolonged period.

The literature (e.g Minichilli et al., 2009; Minichilli et al., 2012; Zona and Zattoni, 2007; Wan and Ong, 2005) has also generally failed to consider the impact of power on board performance and company outcomes. An exception is Payne et al. (2009), who, drawing on archival data and the results of a survey conducted with chief executives and inside and outside directors, found that having more power relative to the CEO was one of the factors associated with efficient board role performance and improved company financial performance (other significant board structural attributes and processes included technical expertise, access to external information and a willingness to devote more time to board issues). When Golden and Zajac (2001) examined the impact of board structural attributes and processual features (attention to strategic issues and evaluation of CEO performance) on board inclination to change strategy in US hospitals, they found that smaller boards, short-tenure boards, those characterised by a lower level of occupational heterogeneity or comprising mostly directors from business occupations[18] were more inclined to change strategy, and that the inclination to change strategy was moderated by board power.

Although the stream of research discussed in this section has enhanced our understanding of the relationship between board processes and performance, many of the studies in this area are limited by their reliance on CEOs (e.g., Zona and Zattoni, 2007; Minichilli et al., 2009; Minichilli et al., 2012; Zattoni et al., 2015) or board secretaries (e.g., Barroso-Castro et al., 2017) as their main or even sole source of data. Whilst it is true that CEOs and board secretaries may have knowledge and understanding about board processes in general, collecting data from outside directors and board chairs would arguably enable a better understanding of the processes by which boards of directors perform their monitoring role in the company. In addition, focusing only on the views of CEOs or secretaries and disregarding the views of outside directors, who may be highly critical of CEO/executive team proposals and performance, significantly increases the risk of perceptual bias.

Finally, the focus on quantitative research approaches and the testing of hypotheses, whilst giving insight into the statistical relationships between board structural attributes, processes and roles, has not allowed an in-depth understanding of

[18] Business occupations was measured "as the proportion of board members whose primary occupations were of a business or legal nature, namely, other hospital CEOs, nonhospital corporate executives, independent business people, banker/financiers, and lawyers." (Golden and Zajac, 2001, p. 1097)

the impact of board engagements and interactions on decision making. As the literature reviewed in the following section makes clear, obtaining an understanding of the inner workings of boards of directors requires the application of a qualitative research approach.

3.8 Board Interactions and Dynamics

To enhance understanding of board decision-making processes, some studies have focused on understanding board sub-committee processes (e.g., Veliyath et al., 2016; Hermanson et al., 2012; Beasley et al., 2009; Turley and Zaman, 2007; Gendron and Bédard, 2006), whilst others have sought to understand how board engagements and interactions influence the agenda (e.g., Peebles, 2010), company proposals and strategy (e.g., McNulty and Pettigrew, 1999) and board decision-making processes in formal meetings (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Huse et al., 2005). Taken together, this stream of research shows different board and sub-committee interactions and processes in decision making. Further, studies investigating agenda and strategy processes indicate that the board agenda is determined mostly by the CEO/executive team (Peebles, 2010), but that outside directors are able to influence and contribute to CEO/executive team strategy and proposals (McNulty and Pettigrew, 1999).

3.8.1 Board Sub-Committee Processes

Clune et al. (2014)[19] examined nomination committee processes by interviewing directors serving on nomination committees in US public companies. They found that the committees employed a range of processes to nominate directors

[19] The authors applied theoretical perspectives from managerial hegemony theory, the managerial power perspective, resource dependency theory, agency theory and institutional theory.

to serve on the board; in some, the CEO chose the candidates and was directly involved in the nomination process, whilst in others, directors were nominated by the committee and the CEO played no part. Committees also varied in terms of the level of formality of the nomination process, with some employing formal methods such as the matrix approach (to assess candidates' skills) or a recruitment company, and others relying instead on directors' personal networks and contacts to identify potential new directors. These findings contradict the evidence offered by Lorsch and Young (1990), who found CEOs to be the main individuals responsible for identifying and selecting candidate directors.

Hermanson et al. (2012)[20] also focused on public US companies in their examination of remuneration committee processes. Their interviews with members serving on remuneration committees in these companies revealed that the committee members interacted with one another to determine compensation arrangements for directors, committee members, the CEO, executives and company employees. CEO compensation was often determined using formal processes such as linking it to the achievement of set goals, objectives and policies, and using peer group information (e.g., a review of CEO performance followed by a benchmark data review), with formulas or measures then being employed to calculate compensation. Compensation for executives and employees was generally assessed and recommended by the CEO, who would interact with the committee on the proposed compensation for executives. Finally, the committees often engaged with consultants to determine directors' and company-wide compensation.

[20] The authors applied agency theory, resource dependency theory, institutional theory and managerial hegemony theory.

Clune et al. (2014) and Hermanson et al. (2012) based their studies in the US, but Veliyath et al. (2016) found quite different results when they examined remuneration committee processes and directors' selection and nomination processes in India. In contrast to Clune et al. (2014), they found that potential new directors were often identified and nominated by the board chair, rather than the CEO or a nomination committee. Remuneration committee members were selected through a range of processes, with some committees identifying potential members themselves, and others identifying potential members through the board of directors or via discussions with the board chair. In contrast to the more formalised remuneration processes identified in the US by Hermanson et al. (2012), Veliyath et al. (2016) found that remuneration committees in India follow less formalised processes, often interacting with consultants to set CEO, executive and company-wide compensation, but not director compensation. Both Veliyath et al. (2016) and Hermanson et al. (2012) demonstrate that committee members interact informally with each other to clarify and discuss issues that have not been resolved in the meeting, and with the CEO/executive team to obtain information. Both studies also found that remuneration committee members interact with the relevant key executives inside and outside formal meetings for discussions and to update them on the committee's concerns and activities. Finally, Hermanson et al. (2012) found that committee members interact with each other to discuss the appointment of new directors to the board.

Taken together, the results show that nomination committees and remuneration committees address issues both formally and informally, but follow different processes to nominate and remunerate directors. For example, CEOs are actively involved in the selection of candidate directors in some committees (Clune et al., 2014), whereas in others, the board chair dominates the selection process (Veliyath et al., 2016). The evidence also demonstrates that committees vary in the extent to which they implement formalised processes to identify (Clune et al., 2014) and remunerate (Hermanson et al., 2012; Veliyath et al., 2016) directors and executives.

Audit committee processes have been investigated by a range of studies, including Gendron and Bédard (2006), Turley and Zaman (2007) and Beasley et al. (2009). These authors interviewed audit committee members in Canada, the UK and the US respectively to gain an insight into audit committee processes and effectiveness. All three studies conclude that audit committees interact with CEO/executive teams and auditors both inside and outside formal meetings. For example, Gendron and Bédard (2006), who investigate the perception and reflectivity of audit committee members to construct and understand the meaning of audit committee effectiveness, demonstrate that this effectiveness is the product of members' engagement and interactions inside and outside audit committee meetings. In the formal meetings, members carefully review company financial reports and interact with the CEO/executive team about these reports. This may involve posing investigative and challenging questions to the CEO/executive team and following up on any weaknesses highlighted by the internal auditors. Informally, the audit committee chair may interact with the external auditors before the formal meeting to receive an update and to discuss any issues with the audit or disagreements between the external auditors and the CEO/executive team. Any disagreements between the internal auditors and the CEO/executive team also tend to be addressed in informal interactions before being raised formally with the audit committee. Gendron and Bédard (2006) found that audit committee effectiveness is also constructed through audit committee structural attributes such as members' financial and accounting expertise and independence and the ceremonial features of committee meetings. These features include the meeting's adherence to accepted protocol and to the business practices outlined by the major accounting firms and regulators, members' attentiveness, and the preparation of an agenda based around routine activities or issues raised in prior agendas and minutes.

Turley and Zaman (2007), meanwhile, draw on the power relations perspective to examine the impact of audit committee processes on its effectiveness. Their interviews with the audit committee chair and members, internal and external auditors and financial managers of one UK company revealed that the audit committee made less of a contribution and exerted less influence over decisions through formal processes than through informal processes. The authors conclude that the effectiveness of the audit committee stems from informal processes such as informal networks and power relationships.

Finally, Beasley et al. (2009) draw on agency theory[21] and institutional theory[22] to examine whether audit committees provide substantive oversight of financial reporting or serve mainly as ceremonial bodies designed to provide legitimacy outside the company. Interviewing audit committee members in the US, the authors found that, within the selected audit committee processes[23], the range of responses they got meant that their findings could not be fully explained by either agency theory or institutional theory. For example, while some committee chairs and members described themselves as contributing to agenda setting and actively engaging in committee issues inside and outside formal meetings, suggesting they took a proactive monitoring role, others

[21] Agency theory (Fama and Jensen, 1983; Jensen and Meekling, 1976) sees the audit committee as an independent body whose role is to monitor the CEO/executive team.
[22] Institutional theory sees the audit committee as a ceremonial body whose role is to create legitimacy rather than to engage in vigilant monitoring (Beasley et al., 2009).
[23] The processes are the acceptance and continuance of due diligence; the selection of new nominees; committee meetings; and the oversight of financial reporting and internal and external audits.

demonstrated little engagement in these processes, arguably suggesting they saw their role as mainly ceremonial.

The above studies suggest that, like the nomination and remuneration committees, audit committees engage and interact inside and outside the formal meetings. However, whilst some audit committees actively engage and interact with the CEO/executive team concerning financial and audit issues and offer substantive oversight (Beasley et al., 2009; Gendron and Bédard, 2006), others engage and contribute less in the formal meetings (Turley and Zaman, 2007), preferring instead to influence decisions and contribute to committee effectiveness through informal engagements and interactions with the concerned individuals (Turley and Zaman, 2007; Gendron and Bédard, 2006). However, these studies generally confine their attention to board sub-committee processes rather than examining board processes in general. As a result, our understanding of board processes in formal meetings and the factors affecting board decision-making processes is limited. The following subsection reviews the studies examining this issue.

3.8.2 Board Processes in Formal Meetings

Studies that have examined board processes in general tend to vary in their focus; some have sought to identify the processes contributing the most to board effectiveness (Roberts et al., 2005; Finkelstein and Mooney, 2003), whereas others have attempted to understand the influence of a number of factors on board interactions including social ties (Stevenson and Radin, 2009; Maitlis, 2004; Westphal, 1999) professional ties (Carpenter and Westphal, 2001) relationships (Heemskerk et al., 2017; Roberts, 2002; Roberts and Stiles, 1999) language (Piekkari et al., 2015) power (Pettigrew and McNulty, 1995; McNulty and Pettigrew, 1996) or to investigate board dynamics and culture (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Halton, 2013; Machold and Farquhar, 2013; Parker, 2008).

In the first group, Finkelstein and Mooney (2003) conducted structured interviews with board directors to understand the key board processes for ensuring board effectiveness. They suggest five processes to enhance board effectiveness: engaging in constructive conflict, avoiding destructive conflict, working together as a team, knowing the appropriate level of strategic involvement and addressing decisions comprehensively. Their interview findings also demonstrate that directors may request clarification and additional information on agenda items before meetings. Basing their conclusions on interviews with board directors compiled for the Higgs Review, Roberts et al. (2005) suggest that board effectiveness depends on the dynamics of the actual working processes and the relationships between executive and outside directors, and the ability of the latter to create accountability within the board in relation to company strategy and performance. They suggest that outside directors can create such accountability through three sets of interactions: engaged but non-executive, challenging but supportive, and independent but involved.

The studies by Finkelstein and Mooney (2003) and Roberts et al. (2005) focus mainly on identifying the processes boards should adopt to enhance board effectiveness; they do not aim to identify the factors that influence board interactions. When Westphal (1999) investigated these factors by means of questionnaires distributed to CEOs and outside directors in US companies, he found that the former were more likely to seek advice from the latter, and the latter were more likely to give this advice, where there were friendship ties between the two groups. Westphal's (1999) study confines itself to the advice interaction, but as previously discussed, the board's role is not just to advise and support but also to monitor the CEO/executive team; it is also expected to engage and interact with the CEO/executive team to oversee their performance and achievements in relation to company goals and strategy. Furthermore, as Carpenter and Westphal (2001) demonstrate, board decision-making processes may be influenced by professional ties. These authors examined the effect of directors' ties to other boards on strategic decision-making processes by distributing questionnaires to CEOs and outside directors in medium and large companies in the US. Their findings demonstrate that having directors on the board who also serve on other boards with a similar strategic context enhances directors' monitoring and advisory interactions when the company is facing a stable environment. On the other hand, having directors on the board who serve on strategically heterogeneous boards enhances directors' interactions when the company is facing a turbulent environment.

Directors who have strong ties with other directors on the board are likely to be more influential in board discussions and decisions. This is demonstrated by Stevenson and Radin (2009), who examined the influence of human capital and social capital on boards by means of a questionnaire survey and interviews with directors serving on the boards of 14 SMEs in the US. They conclude that strong networking and relationship ties within and outside the board give directors more influence than experience or committee membership, particularly in boards where the positions of CEO and chair are combined. A similar conclusion was reached by Maitlis (2004), who examined the processes by which CEOs influence boards by observing the board and sub-committee meetings of two orchestras. The study suggests that, for the CEO to become influential and obtain board agreement, she/he must build strong ties with influential directors and collaborate with them in developing proposals and ideas. Similarly, Huse and Grethe Solberg (2006) suggest that, if women directors want to help shape board decisions, they should build coalitions with influential directors on the board.

Examining the effects of board relationships on board processes, Roberts (2002) interviewed board chairs, CEOs and outside directors serving on the boards of UK companies and found that complementary board relationship helps board chairs and outside directors to contribute efficiently to CEO/executive team performance and board effectiveness. It helps the CEO/executive team to seek advice from outside directors, enhancing the latter knowledge and understanding of the company. Whilst complimentary board relationships weaken and deteriorate board effectiveness and performance. The findings also demonstrate that knowledgeable and skillful board chairs stimulate outside directors' contributions in board deliberations and facilitates constructive informal interactions between outside directors and the CEO/executive team. These informal interactions help outside directors to advance their knowledge on the business and operations of the company. Further, inter-personal and professional trust relationships between the board of directors and the CEO/executive team were found to promote the engagement of outside directors with company strategy, leading to better-quality discussion in the boardroom. In terms of the effect of trust between board chairs and CEOs, Roberts and Stiles (1999) found that it promotes and encourages a complementary and supportive relationship and interactions between the board chair and CEO of UK companies. When Golden-Biddle and Rao (1997) examined the influence of organisational identity (the shared beliefs about the characteristics of the organisation) on the interactions between directors, and between them and CEO/executive team in a non-profit organisation in the US via participant observation, interviews and archival documentation, they observed two unsuited dimensions of organisational identity shared by these individuals. One is characterised by being volunteer-driven, which promotes board monitoring interactions, efficiency and professional relationship, whereas the other dimension is characterised by a kind of family/friendship relationships that promotes collegiality, inhibiting task disagreements between directors, and between them and CEO/executive team. Heemskerk et al. (2017) examined directors' conflicts during board task performance via interviewing directors and CEOs of 11 Dutch supervisory boards of unlisted and non-profit organisations and observed their extraordinary board meetings. They observed that disagreements on board role often trigger relationship conflict, and this conflict is reduced and resolved when board chairs have strong leadership skills. In the existence of common perceptions on board role, they observed the occurrence of task disagreements and positive interactions in meetings, stimulated by good board leadership skills. The findings also demonstrate that task disagreements may sometimes trigger and induce board relationship conflict and boards may engage with consultants to resolve directors' disagreements about board's role and independence. They also found harmonious relationship between directors, and a friendly and respectful relationships between boards of directors and CEOs. These types of relationships tend to not promote disagreements between individuals in meetings so as to avoid personal conflicts with others. The study suggests that boards should manage relationship conflicts rather than avoid it as striving for conflict avoidance hinders board dynamic interactions and disagreements during board deliberations.

Whilst the above studies focus on the impact that friendship, professional and networking ties and relationships between directors, or between outside directors and the CEO/executive team, have on interactions in the boardroom, others, such as Piekkari et al. (2015) and Hendry et al. (2010), have investigated other potentially influential factors. Piekkari et al. (2015) argued that directors use one language in board deliberations and think in different languages when they have foreign members on the board. They examined the influence of language diversity on board processes and found that directors who do not have good English were unable to participate efficiently in board discussion, impeding them to contribute to board deliberation and articulate disagreement. While Hendry et al. (2010) found that the level of interaction that occurs between the board and the CEO/executive team in relation to company strategy is contingent on the interactions between a number of factors. These include how the board sees its role in terms of company strategy (i.e., whether this is merely to review and approve CEO/executive proposals or to collaborate in and influence the development of CEO/executive strategy), its opinion of the existing strategy (i.e., whether this needs to be changed or maintained), and the power relationship between it and the CEO/executive team (i.e., whether power is equally distributed between the two entities or CEO power prevails). With regards to power, Pettigrew and McNulty (1995) and McNulty and Pettigrew (1996) demonstrate that this derives from a number of sources. Both studies examine the contribution of outside directors and the sources of power through which they influence decision making in the company. They found that outside directors are able to influence company issues such as company strategy and the appointment and dismissal of executives and outside directors because of their external legitimacy with large institutional shareholders, banks and regulators; their knowledge and expertise; their ability to build coalitions and relationships with other individuals; and their skills (e.g., tact and diplomacy, respect, compliance with norms of conduct, logical argument and persuasion) in using these power sources to influence decision making. Examining outside directors' behaviours that help them attain appointments on other boards of US companies, Westphal and Stern (2007) and Stern and Westphal (2010) found that flattery behaviour of directors toward those who are CEOs or members of nomination committees at other companies are likely to increase their chance to be appointed at other boards.

The stream of research demonstrating the dynamics of interactions in the boardroom includes the study by Brennan et al. (2016), who draw on Ikujiro Nonaka's knowledge conversion framework[24] to explore the role of information asymmetry in board dynamics. Brennan et al. (2016) analysed and interpreted knowledge exchange and information processes between outside directors and CEO/executive teams to produce a conceptual framework. This posits that information/knowledge sharing between the CEO/executive team and outside directors begins with the exchange of explicit to explicit information in the boardroom. This triggers reciprocal processes and group interactions that enable knowledge creation and further sharing; as outside directors engage in dialogue with the CEO/executive team, they may require the latter to further explicate and justify their position to the board, facilitating the transition of the CEO/executive team's information and knowledge from tacit to explicit. This in turn generates implicit information and knowledge from the board, leading to collective knowledge. The framework also posits that outside directors and CEO/executive teams share their implicit knowledge outside the boardroom during socialisation. Further, the authors suggest that board of directors obtain further information from the internal and external auditors.

Brennan et al.'s (2016) study concludes that information asymmetry is necessary to create the context for outside directors both to challenge and to contribute to the CEO/executive team's ideas, thereby enhancing board effectiveness. In addition, the interview findings in the study of McNulty and Pettigrew (1996) and Roberts et al.

[24] "The theory is developed on two premises: first, tacit and explicit knowledge can be conceptually distinguished along a continuum and second, the concept of 'knowledge conversion' explains how tacit and explicit knowledge interacts…… During the process of knowledge conversion, subjective and tentative knowledge derived from an individual's values and experiences is validated and synthesized with the knowledge of others…… [and] has the potential to offer new insights" (Brennan et al., 2016, p.147).

(2005) suggest that outside directors engage with the CEO/executive team in the boardroom to obtain further explanation of the agenda issues that help them to challenge CEO/executive team issues. However, others have argued that exchanging excessive amounts of information in the boardroom may hinder efficient interactions between directors and the CEO/executive team. For example, when Machold and Farquhar (2013) observed the board meetings of six companies in the UK, they concluded that the meetings were mainly taken up by CEO/executive team presentations and the dissemination of information, limiting directors' opportunity to engage in thorough critical discussions with executives.

There are also other factors that may inhibit outside directors' ability to interact usefully with the CEO/executive team. Halton (2013) interviewed a range of individuals with current or previous experience in the Irish and Canadian banking sectors, including chairmen, non-executive directors, executives, auditors and others (the study also included government officials, regulators, academics and industry analysts) to examine the challenges faced by non-executive directors in the boardroom. She identifies time, the size of the agenda, lack of relevant technical knowledge and a concern about demonstrating ignorance and losing face as the key factors preventing non-executive directors from engaging in challenging interactions in the boardroom. Further, not all participants accepted the notion that continually challenging the CEO/executive team is beneficial, particularly if the challenge is ill-founded or personally motivated, or if the CEO/executive team's performance is in line with the strategic parameters set by the board.

Machold and Farquhar (2013) Halton (2013) identify some of the forces that inhibit dynamic interaction on the board, but a number of other studies have also explored the dynamic interactions that take place in formal meetings. Parker (2008), who observed the board meetings of two non-profit companies in Australia, characterises the interactions of the board of directors with the CEO/executive team as exhibiting ebb and flow between advice, support and challenge. Bezemer et al. (2014) and Pugliese et al. (2015), also observing board meetings in two companies in Australia, found the interaction between directors to be dynamic, multidimensional and affected by contextual factors such as the timing and length of meetings, board climate and what was on the agenda. Neither the CEO nor board chair dominated discussions. Rather, they observed variances in the participation and contributions of directors according to the agenda item.

Although the studies by Bezemer et al. (2014) and Pugliese et al. (2015) enhance our understanding of board interactions and participation, both focus primarily on contribution duration and turn-taking rather than the nature of the interactions and dynamics in the boardroom. In contrast, Brundin and Nordqvist (2008) explored the effect of emotion on CEO-director interactions in the board meetings of one privately held Swedish company. They concluded that emotions are a source of energy (power energisers and status energisers) that affect board work and performance, in that the CEO's emotions (e.g., firmness, irritation, anger, defence) have the potential to either enable or reduce her/his influence over board deliberations and to make them feel either included in or excluded from the board. In some circumstances, the CEO's emotional reactions may empower them to become the order giver; at other times, in the face of aggressive criticism from directors, they will become the order taker and feel alienated. It can be difficult for CEOs to return to being an order giver and to regain their included status. The importance of this sense of inclusion is also highlighted by Samra-Fredericks (2000). Observing the board meetings of one UK company to examine how directors displayed their feelings and the linguistic resources they used to influence board processes, she noted that directors employed the personal pronouns “I” and “You”, “We” and “Our” to build collaboration and unanimity with some directors and to underline their disagreement with others. In the context of disagreement, she found that directors used tactful and diplomatic terms such as “Well” and “But” to mitigate interpersonal collision.

Other studies have gone beyond the examination of behavioural interactions (e.g., emotions, personal pronouns and lexes used in the boardroom) to focus on the decision-making culture and style in the boardroom. For his examination of the culture of formal board meetings, Parker (2007b) observed the board meetings of two non-profit companies in Australia. He found that the boardroom culture was characterised by mutual respect, informality and humour, enabling directors to manage heated debates without creating affective conflicts. Huse et al. (2005), meanwhile, observed board meetings in a Scandinavian company, finding that the culture and dynamics in the boardroom were characterised by cohesiveness, openness, generosity, involvement, creativity and criticality, facilitated by good board leadership and preparation, and high levels of professional motivation and trust among directors. Further, they observed that directors with good interaction skills were more influential in the decision-making process than the knowledgeable directors. The most powerful directors were those with a combination of high esteem, knowledge and interaction skills.

In terms of board decision-making styles, Bailey and Peck’s (2013) interviews with directors and key executives in eight public companies in the US revealed that the approach to decision making varied depending on the prevailing power relationships (defined as the intra-boardroom respect and CEO/board trust), the board chair’s leadership skills and whether there were shared mental models[25]. Some boards aligned themselves with the interests of the company and were committed to making decisions by engaging in open and healthy discussions and debates. These boards would continue their deliberations until all directors agreed with the proposed decision. Other boards, however, contained directors who had aligned themselves with the interests of a particular coalition of shareholders and who would regularly seek to influence board decisions by controlling meeting agendas and building coalitions. Final decisions in these boards tended to be reached via majority vote rather than a consensus. A third group of boards had a small number of directors who had aligned themselves with shareholders' interests, whilst the majority of directors were aligned with the interests of the company. These boards tended to engage in open discussion, giving all directors an equal opportunity to influence board decisions according to their interests.

Huse et al. (2005) and Bailey and Peck's (2013) findings regarding the importance of strong board leadership are echoed by Gabrielsson et al. (2007). These authors applied a team production approach[26] to argue that board effectiveness is driven by the extent to which boards not only have directors with relevant knowledge but also the strong leadership necessary to utilise this knowledge effectively. Their survey of directors in Norway revealed a positive correlation between board chair leadership and the team production culture in the boardroom, and between this culture and board involvement in the strategic decision-making process.

[25] A set of attributes including identification with the organisation, shared hopes and vision, strategic involvement and the clarity of the board's role.

[26] "…… in the team production approach, corporate boards are seen as knowledgeable and cooperative teams with the purpose of leading the corporation and coordinating corporate activities. However, if the board of directors should work as an effective team, then the board chairperson must take an active role as a leader in the boardroom" (Gabrielsson et al., 2007, p.24).

3.8.3 Key Limitations of Board Interactions and Dynamics Literature

The main stream of studies into board interactions and dynamics (Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Huse et al., 2005) have generally confined their attention to formal meetings and ignored the processes that occur outside the boardroom, even though these informal processes can have a significant influence on the formal decision-making process. This is illustrated by McNulty and Pettigrew (1999), who, when they examined the contribution of outside directors to strategy in UK public limited companies, found that these directors often interacted informally with the CEO/executive team to consider CEO/executive team proposals and issues before addressing them in the boardroom. It is also illustrated by Ravasi and Zattoni (2006), Parker (2007a) and Parker (2007b) studies all of whom suggest that CEOs/executive teams consult on strategic issues and test their business proposals with outside directors informally, which also gives outside directors the opportunity to initiate business proposals (Parker, 2007b). Further, one CEO in McNulty and Pettigrew's (1999) study indicated that directors engaged with him informally to understand and clarify the issues in the information package. Similarly, Parker's (2007a; 2007b; 2008) studies on the board processes of non-profit companies in Australia all highlight the existence of informal dialogue between the board of directors and the CEO, whilst Parker (2007b) suggests that post-meeting drinks sessions facilitate board cohesiveness. Studies exploring informal processes have identified them as occurring through telephone calls (McNulty and Pettigrew, 1999) and during break times (Huse and Grethe Solberg, 2006); Nordqvist (2012) found that the boards in the three Swedish family SMEs in his study addressed company strategy issues outside the boardroom through ad hoc meetings, strategy away-days and at the sauna club, whilst family directors also discussed strategic issues at home and during meals and travel.

Most importantly, the main stream of studies addressing board dynamics (Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Huse et al., 2005) have failed to demonstrate the processes by which directors build coalitions to influence decision making, with the result that our understanding of how directors build coalitions and lobby for or against decisions is limited. Among those who have attempted to investigate these processes, Ravasi and Zattoni (2006) found that directors in mixed-ownership companies[27] (whose shareholders may have divergent interests) will engage in negotiation processes outside the boardroom to facilitate consensus on the strategic path of the company.

A broader criticism of the board decision-making process literature (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Parker, 2007a; Parker, 2007b; Parker, 2008; Huse et al., 2005) is that it does not examine board processes in general. For example, board decision-making processes do not start with board interactions in the meeting, but with the setting of the meeting agenda. Examining board processes in general would provide a more holistic understanding of who determines what issues the board will discuss in the boardroom. Peebles (2010) addresses this question in his study, which examines board agenda processes drawing on the findings from a questionnaire and focus group conducted with directors (board chairs, executive and outside directors) in public companies in New Zealand. The study found that CEOs often control the board agenda, with outside directors being largely passive in this respect. Similar conclusion is echoed in Lorsch and Young's (1990) interview findings. This may have implications for the board's decision making and company-level outcomes if the decision-making processes focus only on those matters

[27] Ownership is distributed between a small number of actors, none of whom have majority control over voting. Some of the actors may have multiple interests in the conduct of the company; i.e., not only profit maximisation but also its relationships with suppliers, customers, managers.

the CEO wishes to raise with the board of directors. Furthermore, it may hinder the deliberation of important issues such as CEO performance, which are more likely to be raised by outside directors. The literature also fails to adequately address board preparation processes, even though these may influence board deliberation and decision making. The potential importance of these preparation processes is highlighted by Huse and Grethe Solberg (2006), who suggest that unsatisfactory preparation by male directors allows women directors, who tend to be better prepared, to increase their influence over board decision making.

Finally, it should be noted that studies on board processes have on the whole been based on developed countries. Consequently, our knowledge of whether the processes are the same or different in developing countries is still limited. As noted in Chapters 1 and 2, there are numerous differences between the context and culture of the developed countries and Oman that may influence board interactions and processes in Oman in different ways.

3.9 Summary

This chapter has reviewed the theoretical literature on board roles and processes. It has reviewed the key theories that explain the advisory and monitoring roles of the board of directors and discussed and defined the key concepts used to explain board processes. Further, it has discussed the social comparison theory, persuasive arguments theory and power circulation theory that underpin the present study. Finally, it has reviewed the empirical literature on board processes, dividing it into those studies that examine the relationships between board structural attributes, board processes and board roles, and those aimed at understanding the importance of board structural attributes and board processes in relation to board role performance and effectiveness.

On the whole, this literature suggests that board processes have a range of effects on board role performance and impact considerably on board effectiveness (e.g., Minichilli et al., 2009; Minichilli et al., 2012; Zona and Zattoni, 2007; Wan and Ong, 2005) and positive outcomes (e.g., Zhu et al., 2016; Zattoni et al., 2015). However, the key limitation of this literature is that most studies rely on a sample consisting only of CEOs (e.g., Zattoni et al., 2015; Minichilli et al., 2009; Minichilli et al., 2012; Zona and Zattoni 2007) or board secretaries (e.g., Barroso-Castro et al., 2017) and ignore outside directors. This omission of outside directors, who may be the main parties responsible for criticising or challenging CEO/executive team proposals and issues, arguably increases the risk of perceptual bias in these studies' findings.

Another stream of research has examined the board interactions and dynamics that characterise decision-making processes (Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Parker, 2007b; Parker, 2008; Huse et al., 2005). Generally, these studies have concluded that board interactions are dynamic affected by a number of factors such as board leadership skills (Bailey and Peck, 2013; Huse et al., 2005); friendship, professional and networking ties among outside directors and between them and the CEO/executive team (e.g., Westphal, 1999; Carpenter and Westphal, 2001; Stevenson and Radin, 2009); relationships (Heemskerk et al., 2017; Roberts, 2002; Roberts and Stiles, 1999); language used in meetings (Piekkari et al., 2015); how directors perceive their strategic role and what they think of existing company strategy and the prevailing power relationships (e.g., Hendry et al., 2010); where directors' power comes from (Pettigrew and McNulty, 1995; McNulty and Pettigrew, 1996); and vested interests (Bailey and Peck, 2013; Ravasi and Zattoni, 2006). In addition, the literature suggests the occurrence of informal engagements and interactions (Parker, 2007a; Parker, 2007b; Parker, 2008; Ravasi and Zattoni, 2006; McNulty and Pettigrew, 1999) that may enhance board cohesiveness (Parker, 2007b).

The key limitation of this literature is that it confines its attention to interactions within the boardroom and consequently does not allow a holistic understanding of board decision making or, most importantly, informal board processes. The importance of these informal processes is highlighted by Turley and Zaman (2007), who demonstrate that they are the foundation of audit committee effectiveness. Informal processes can be classified as the processes by which individual directors (i) prepare for meetings and (ii) build political coalitions and lobby for or against decisions. As the literature (e.g., Pettigrew and McNulty, 1995; McNulty and Pettigrew, 1996; Grethe Solberg, 2006; Bailey and Peck, 2013) and power circulation theory (e.g., Ocasio, 1994) suggest, both political coalitions and efficient preparation can influence board decisions (e.g., Miller, 1982; Zanna et al., 1975; Huse and Grethe Solberg, 2006), but our understanding of the processes by which directors build coalitions and prepare for meetings so that they can influence decision making is still limited. To fill this gap, it is important to examine board processes in general, including directors' informal political and preparation processes. This will help to develop a more holistic understanding of board processes and develop informative implications to aid policymakers and boards of directors in achieving efficient board performance and positive outcomes.

Chapter 4
Conceptual Framework

4.1 Introduction

The preceding chapter discussed the theories underpinning this study, reviewed the empirical literature on board processes and identified the research gap in the board processes literature. This chapter explains the conceptual framework that guides this study. It is drawn from the board processes literature, social comparison theory, persuasive arguments theory and power circulation theory (see Chapter 3), and is based on the Omani context (see Chapter 2). As noted earlier (see Chapter 3), board processes research has so far confined its attention to particular board sub-committees processes such as the audit committee processes (e.g., Beasley et al., 2009; Turley and Zaman, 2007; Gendron and Bédard, 2006), the remuneration committee processes (e.g., Hermanson et al., 2012) and the nomination committee processes (e.g., Clune et al., 2014), or it has focused on a specific board process such as board interactions in formal board meetings (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013), and agenda processes (Peebles, 2010) and outside directors engagements in strategy (McNulty and Pettigrew,1999). However, this research has not provided a framework for the general processes by which boards of directors influence decisions and company outcomes.

The conceptual framework of this study is designed to provide a more holistic framework for the examination of board processes. The framework (see Figure 4.1) illustrates the key board structural attributes (across the top of the figure) that have a direct effect on board processes (the box in the centre of the figure). These processes are divided into formal and informal processes and explained and underpinned by the assumptions of social comparison theory, persuasive arguments theory and power circulation theory (left-hand side of the figure). These board processes are affected by a number of factors (right-hand side of the figure). The framework demonstrates the interactions between the formal and informal processes that lead boards of directors to reach a given decision and influence company outcomes such as performance, disclosure, dividend pay-outs, executive compensation and corporate social responsibilities (across the bottom of the figure).

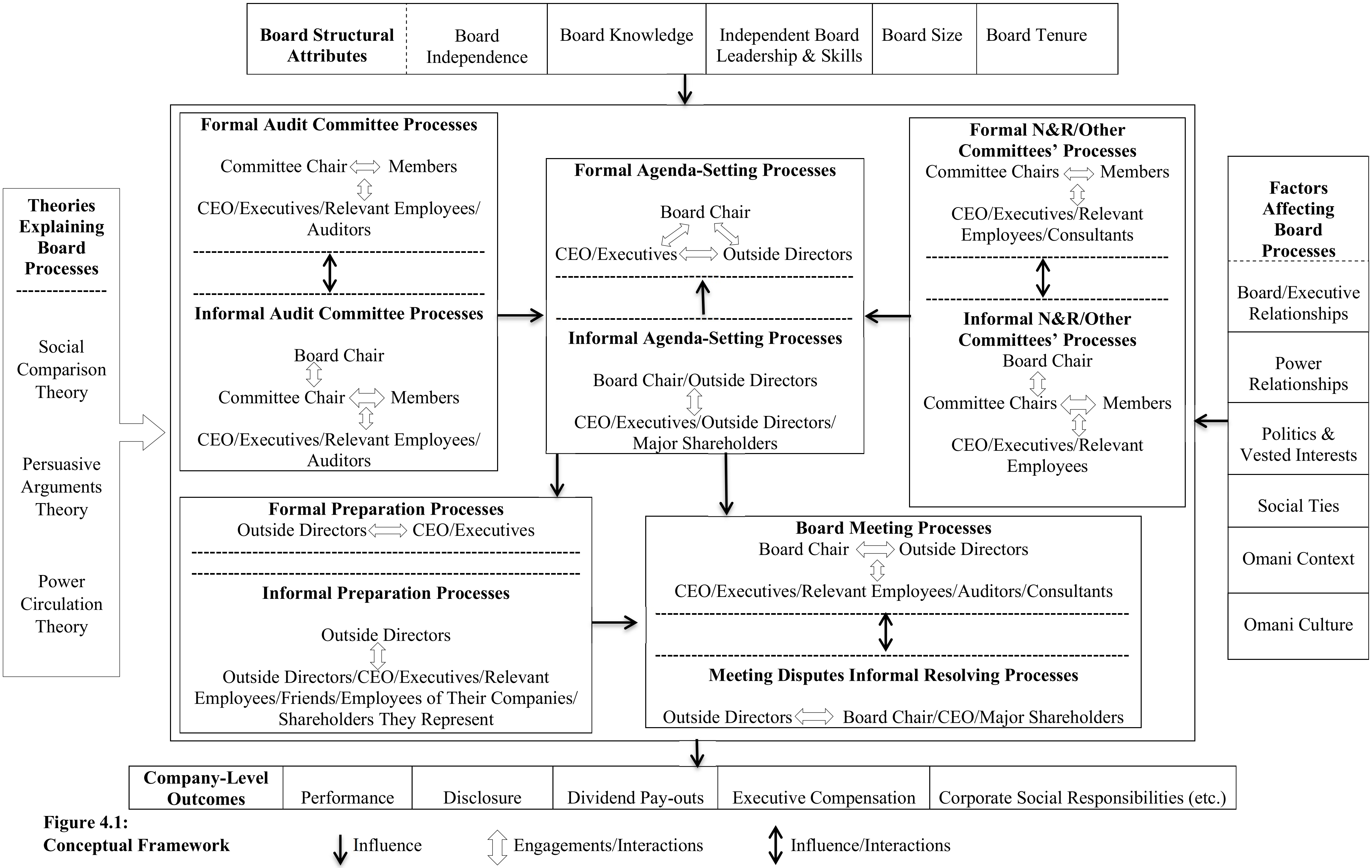


Figure 4.1: Conceptual Framework

“Board structural attributes” refers to the characteristics and composition of a board of directors (Van den Berghe and Levrau, 2004), whilst “board processes” refers to the engagements, interactions and activities through which it makes decisions (Zhu et al., 2016; Zona and Zattoni, 2007; Wan and Ong, 2005). As the literature (e.g., Nordqvist, 2012; Stevenson and Radin, 2009; Leblanc and Schwartz, 2007; Huse, 2005, 2007; McNulty and Pettigrew, 1999; Pearce and Zahra, 1992) suggests, the board of directors engages and interacts both formally and informally to address company matters and issues. Consequently, the framework divides the processes by which boards of directors influence decisions into formal and informal processes. The formal processes are conceptualised as those engagements and interactions by outside directors that take place in formal board settings and contexts, such as board and sub-committee meetings, and through formal channels of communication used by the company (e.g., the board secretary, email or the board’s iPad software). The informal processes are conceptualised as those engagements and interactions by outside directors that occur outside of the formal, planned and scheduled board and sub-committee meetings. These engagements and interactions take place in informal settings such as board lunches, dinners and special board events and via informal channels of communication such as telephone conversations, casual conversations at break times, and social meetings at directors’ homes (e.g., Nordqvist, 2012; Huse, 2007; Huse and Grethe Solberg, 2005; McNulty and Pettigrew, 1999). These interactions tend not to be reproduced explicitly in the board minutes.

4.2 Board Structural Attributes

As shown in the framework, some of the key board structural attributes that are examined in the literature as having a direct effect on company-level outcomes are the board’s leadership structure and skills, independence, knowledge, tenure and size (e.g., Mangena et al., 2012; Elsayed, 2011; Payne et al., 2009; Zona and Zattoni, 2007). Accordingly, these are conceptualised in this study as having a direct influence on board processes. The key processes used in the literature to examine board processes and their effects on board performance are effort norms, use of knowledge and cognitive conflicts (e.g., Zattoni et al., 2015; Minichilli et al., 2009; Zona and Zattoni, 2007; Wan and Ong, 2005).

In line with a growing body of literature (e.g., Bettinelli, 2011; Payne et al., 2009; Forbes and Milliken, 1999; Rutherford and Buchholtz, 2007; Pearce and Zahra, 1992), the thesis of this study is that board structural attributes are important to board decisions and effectiveness (Pearce and Zahra, 1992), and that they impact on board processes in a range of ways (Forbes and Milliken, 1999). The sections below discuss the conceptualised direct effects of board structural attributes on board processes.

4.2.1 Board Size and Board Processes

Mangena et al. (2012), Haniffa and Hudaib (2006) and Forbes and Milliken (1999) argue that board size impacts on board decision-making processes in a number of ways. Mangena et al. (2012) contend that a small board of directors enables board cohesiveness and candid board discussions concerning executive performance, whilst Haniffa and Hudaib (2006) maintain that small boards facilitate quicker decision making, and Golden and Zajac (2001) contend that they are more inclined to change strategy. However, Forbes and Milliken (1999) argue that the cognitive conflict that is likely to arise within a large board of directors may actually enable it to offer better-quality advice to the CEO in a time of crisis or if the company is operating in a complex business environment (Mangena et al., 2012). Similarly, Van den Berghe and Levrau, (2004) contend that increasing the number of directors expands the pool of available knowledge and expertise. These authors also suggest that having a large board reduces CEO dominance, but that it may be harder to monitor executive performance effectively as directors might be less able to hold candid discussions concerning CEO/executive performance among the interactions of a large number of directors (Conyon and Peck, 1998). Interestingly, empirical studies of the impact of board size on board roles have shown a positive relationship between board size and board monitoring performance (Zona and Zattoni, 2007; Minichilli et al., 2009) but a negative relationship between board size and board advisory performance (Minichilli et al., 2009).

Although larger boards may have a broader pool of knowledge upon which to draw, both Van den Berghe and Levrau (2004) and Forbes and Milliken (1999) argue that boards with a large number of directors may encounter difficulties in coordinating the various contributions made within the board and reaching consensus on critical decisions (Van den Berghe and Levrau, 2004). The difficulties in coordinating directors' various contributions may make it harder for the board to use its knowledge effectively (Forbes and Milliken, 1999), which, suggest Van den Berghe and Levrau (2004), might make directors less motivated to participate and instead more inclined to build factions and coalitions to influence decision making. The failure to fully utilise the board's collective knowledge might prevent the emergence of new information and alternatives, constraining directors' understanding and aggravating the bounded rationality problem (Barroso-Castro et al., 2017). In addition, a large board of directors may encounter difficulties in maintaining strong effort norms (Haniffa and Hudaib, 2006; Forbes and Milliken, 1999). Directors in large boards may devote little or no effort to preparing for board meetings under the assumption that other directors will put in sufficient work to cover the issue being addressed (i.e., they adopt a policy of social loafing) (Van den Berghe and Levrau, 2004; Forbes and Milliken, 1999).

In the context of Oman, the Commercial Companies Law states that the number of directors of public companies shall not be less than five directors and the maximum number of directors shall not exceed twelve directors. Consequently, boards in the country differ in size; as discussed above, this may have consequences for the board processes in these companies. Small boards might be more cohesive, better prepared for meetings, more able to interact and deliberate candidly on the matter of CEO/executive performance, and quicker at making decisions. On the other hand, there may be richer cognitive interaction among directors in the larger boards, allowing these boards to give better-quality advice to the CEO/executive team when the company encounters critical issues or a complex business environment. Less positively, these boards may find it more difficult to coordinate the different arguments and contributions made by directors to reach a consensus.

4.2.2 Board Knowledge and Board Processes

As with board size, board knowledge is likely to have a range of effects on board processes. Forbes and Milliken (1999) contend that board knowledge is a double-edged sword for boards of directors, as outside directors tend to come from a range of industries and functional backgrounds, including lawyers and academics (Minichilli et al., 2009; Forbes and Milliken, 1999), and this high level of diversity in terms of functional and job-related backgrounds can impede communication and coordination among directors and inhibit them from employing their specialised knowledge. This may lead directors to a situation where they fail to recognise the applicability of contributions made by colleagues whose knowledge and expertise are in fact directly relevant to the issues under consideration (Forbes and Milliken, 1999). Barroso-Castro et al. (2017) argue that job-related diversity may also generate conflicts and emotional consequences that reduce directors' satisfaction and social identification with the board, making it less cohesive.

Minichilli et al. (2009) argue that a high level of job-related diversity may hinder board directors from reaching a consensus as their competences are likely to be dispersed across a range of unrelated areas. However, social comparison theory (Festinger, 1954) suggests that in boards with a diverse knowledge base, directors tend to engage more with their own areas of expertise; in other areas, they are generally happy to defer to those they consider the most knowledgeable and experienced. The theory posits that this facilitates board consensus and decision making.

It has been argued that the broader knowledge base that results from functional diversity (Wan and Ong, 2005) enables the board to address decisions more comprehensively (Barroso-Castro et al., 2017) and thus produce higher-quality decisions (Bettinelli, 2011). A diverse knowledge base is more likely to promote cognitive conflicts that generate a range of perspectives and alternatives on whatever issue the board is addressing that enable outside directors to raise critical questions (Wan and Ong, 2005; Forbes and Milliken, 1999). This enables the board of directors to obtain more detailed information and explanations from the CEO and to resolve complex issues (Minichilli et al., 2009). Those directors who have knowledge about the company's industry and competitive environment are particularly well placed to provide valuable advice to – and ask critical questions of – the CEO/executives regarding strategic decisions and issues (Barroso-Castro et al., 2017; Chen and Hsu, 2009).

Barroso-Castro et al. (2017) provide empirical support for these arguments with their finding that board company-specific knowledge and job-related diversity positively affect board strategic involvement by making it easier for directors to interact with the executive team on company strategic matters. By contrast, Minichilli et al. (2009) find a negative relationship between job-related diversity and the board's advisory role, suggesting that boards drawn from a wide range of professional backgrounds are less able to provide technical advice and support to executive directors on company-specific issues. This specialised knowledge is vital if the board is to be able to advise on technical issues.

The discussion above suggests that Omani boards made up of directors from different functional backgrounds and possessing both company- and industry-specific expertise are likely to have the broadest knowledge base. So long as these boards are able to accommodate and coordinate the contributions of their various members, they should be able to give better advice and to challenge the CEO/executive team more effectively, leading to higher-quality decisions. Those boards that have directors with the relevant industry knowledge and expertise are the most likely to be able to give advice or to challenge the CEO/executive team on company technical issues.

4.2.3 Independent Board Leadership and Skills and Board Processes

Boards of directors in Oman adopt an independent leadership structure, which is favoured by agency theory. This has implications for board decision-making processes. As the literature (e.g., Yu and Ashton, 2015; Jizi et al., 2014; Bettinelli, 2011; Chen and Hsu, 2009; Wan and Ong, 2005; Haniffa and Cooke, 2002) suggests, an independent leadership structure curtails the CEO's power and control over the board of directors and enhances the board's monitoring role. It can be seen as affording more power and control to outside directors, including over board agenda formation (e.g., Jizi et al., 2014; Haniffa and Cooke, 2002), thereby enabling them to engage more effectively with issues relating to the CEO/executive team (Wan and Ong, 2005). As this structure restricts the CEO's influence over the appointment of outside directors, preventing her/him from appointing the directors they prefer (e.g., Jizi et al., 2014; Bettinelli, 2011; Haniffa and Cooke, 2002), these directors have the independence they need to be able to challenge the CEO and address issues concerning CEO/executive team performance.

An independent board structure is not without disadvantages, however; maintaining a clear consistency between the company's objectives and its operations may become more difficult (e.g., Chahine and Tohmé, 2009; Haniffa and Hudaib, 2006) if the separation of the board chair and executive roles leads to confusion and conflict between the board of directors and the executive team (Yu and Ashton, 2015) and, consequently, less effective board decision making and implementation (Haniffa and Hudaib, 2006). However, if the board chair has the leadership skills to create an environment in which outside directors can be effective (Roberts et al., 2005), this can help counterbalance the drawbacks of the independent leadership structure.

Leblanc (2005) asserts that strong leadership skills go hand-in-hand with board effectiveness, whilst Roberts (2002) demonstrates that knowledgeable and skilful board chair leadership is essential to CEO performance and board effectiveness. Good leadership both stimulates the contributions of outside directors in formal meetings and facilitates the creation of informal interactions between these directors and the CEO/executive team that enhance outside directors' knowledge of company business and operations. Bailey and Peck (2013) demonstrate that board chairs with good leadership skills promote a board climate that encourages open discussion and debate in the boardroom, whilst Gabrielsson et al. (2007) identify a positive relationship between board chair leadership efficacy and skills and the team production culture in the boardroom (in terms of cohesiveness, creativity, openness and generosity, criticality, and preparedness and involvement). They also find a positive relationship between the team production culture and board involvement in the strategic decision-making process. Similarly, Machold et al. (2011) find that chairperson leadership efficacy and skills have a positive effect on board strategy engagement. Further, they demonstrate that these efficacy and skills are of particular importance following a change in board composition (e.g., the arrival of new directors). Finally, Heemskerk et al. (2017) demonstrate that a board chair with strong leadership skills is particularly important for promoting task conflict and mitigating and resolving personal and relationship conflicts.

The above discussion suggests that CEOs in Oman are likely to have less power over decision-making processes than their counterparts operating within a dual board leadership structure (e.g., US). The independent board leadership structure limits their power, with board agendas, for example, being subject to board chair approval (see also Oman Code, 2016). This gives outside directors the opportunity to create substantial agendas focusing on CEO/executive team performance and issues, whilst giving responsibility for the organisation of board interactions and deliberations to a non-executive board chair arguably increases the opportunity for outside directors to challenge these teams and individuals on their performance and outcomes. Omani independent board chairs with efficient board leadership skills are arguably more likely to be able to overcome any adverse effects arising from the separation between board and executive leadership positions (e.g., inconsistency between the company's objectives and operations) because they are more likely to be proficient at facilitating efficient and constructive formal and informal interactions between outside directors and CEOs/executive teams. Informal interactions enhance outside directors' knowledge and understanding about the company's business and affairs and agenda issues, which can then be utilised in the formal meetings. Omani boards with strong leadership are likely to experience fewer affective conflicts (i.e., personal and emotional conflicts) and to be more capable of resolving those conflicts that do arise.

4.2.4 Board Independence and Board Processes

The presence of outside directors is supported by agency theory, stewardship theory and resource dependency theory. Agency theory views outside directors as individuals whose role is to monitor the CEO/executive team, whereas stewardship theory and resource dependency theory view the role of outside directors as being germane to supporting and advising CEO/executive team in the strategy of the company (Wan and Ong, 2005).

Forbes and Milliken (1999) argue that board independence affects board processes in a number of ways. It may, for example, enhance board decision-making processes and board monitoring (e.g., Bettinelli, 2011; Chen and Hsu, 2009; Minichilli et al., 2009; Forbes and

Milliken, 1999) as outside directors strive to add value to the board they serve on and maintain a good professional reputation (Bettinelli, 2011). Bettinelli (2011) argues that board independence also promotes board cohesiveness, particularly if outside directors and the CEO/executive team share a common vision and depend on one another. However, Forbes and Milliken (1999) argued that independence can reduce board cohesiveness as, unlike executive directors, outside directors may be affiliated to several different companies and industries, each of which has only periodic board meetings.

The presence of outside directors means that the board is able to consider the views of a wider range of stakeholders during its decision-making process (Wan and Ong, 2005). It may also help promote board effort norms (Bettinelli, 2011; Wan and Ong, 2005) as directors do their best to earn and maintain their esteem (Bettinelli, 2011). Further, if outside directors are motivated to build up their company-specific knowledge before addressing company matters and issues (Forbes and Milliken, 1999), this benefits the board as a whole by improving its information flow (Barroso-Castro et al., 2017; Chen and Hsu, 2009; Stiles and Taylor, 2001), knowledge base and task conflict interactions (Wan and Ong, 2005).

The empirical evidence supports these arguments. For example, Bettinelli (2011) shows a positive relationship between the proportion of outside directors and the effort norms of board of directors, whilst Zona and Zattoni (2007) show that outsider ratios have a positive effect on board networking performance. Minichilli et al. (2009) show that boards with greater outsider ratios perform their behavioural and output control tasks more effectively, but that they are less effective in performing strategic tasks. This suggests that boards with a larger number of outside directors are better at monitoring tasks than boards with fewer outside directors.

In light of the above discussion, it is reasonable to infer that board independence enhances board decision-making processes in Oman by making it easier for the board to interact with the CEO/executive team to learn more about the business of the company in general and board agendas in particular. This will facilitate more efficient board interactions and deliberation on agenda issues, particularly if outside directors and the CEO/executive team share a common vision. However, as indicated in Chapter 2, there is some question about the true impact of board independence in Oman, given that the Omani Code (2016) allows independent directors to hold less than 10% of the company's shares. How much impact board independence has on decision-making processes may in practice depend on whether the independent directors on the board are truly independent or hold shares in the company. Independent directors with shares may find it much more difficult to give an independent and rational view on an agenda issue in which they have a vested interest.

4.2.5 Board Tenure and Board Processes

Like other board structural attributes, board tenure is likely to have several different effects on board processes. Forbes and Milliken (1999), for example, argue that long-tenured boards tend to experience fewer cognitive conflicts among directors. This is because outside directors serving together for a long time are likely to have developed a good understanding both of the company's operations and issues and of the board's collective response to these issues. In contrast, short-tenured boards may produce a range of responses to company issues as directors draw on their experience of serving on other boards (Forbes and Milliken, 1999) and hence might be more inclined to change strategy (Golden and Zajac, 2001). A second key impact is on the balance of information within the company; Brennan et al. (2016) argue that having a long-tenured board reduces information asymmetry between the CEO/executive team and directors. Directors who serve together on a board for a long time are more likely to have developed a familiarity with each other that not only fosters cohesiveness but also enables the board to use its collective knowledge to maximum effect (Forbes and Milliken, 1999).

In light of the above, board decision-making processes in Oman are affected in key ways by the length of tenure of the board. Long-tenured boards may be more cohesive, and their directors may have a more detailed understanding of those aspects of the company (e.g., the accounts, business and strategy) that fall within the board's normal purview. Such boards may find it easier to use their collective knowledge without encountering disagreements in the boardroom as they are more likely to be familiar with the processes followed by the board in addressing company issues. However, the current researcher argues that disagreements are likely to occur even in long-tenured boards on questions of strategy. If directors believe that the company should change its existing strategy, long-tenured boards are just as likely as short-tenured ones to produce a range of different and dissenting views on any potential new strategic direction.

Notwithstanding the suggestion that long-tenured directors have the opportunity to become more familiar with the details of company operations, it might be argued that long tenure may cause some directors to become less conscientious about reviewing information and preparing for board meetings, particularly if they are familiar with the issues on the agenda and do not tend to receive new strategy in the information package. In this context, directors might be less inclined to scrutinise the agenda and information package. The lack of preparation and research on agenda issues may prevent directors from gaining up-to-date knowledge and information concerning the market in general and the company's business and industry in particular. This will have an adverse effect on board processes as directors are less likely to address the agenda issues comprehensively and deliberate them constructively with the CEO/executive team.

Forbes and Milliken (1999) argue that directors in short-tenured boards tend to have more disagreements about company issues as they are often not well acquainted with company operations. However, the present researcher argues that, in the context of Oman, the incidence of disagreements in short-tenured boards depends mainly on whether the company is controlled by a dominant shareholder (e.g., government, family, founder of the company). Short-tenured boards in which most directors are representatives of the dominant shareholder may not see significant disagreements because these dominant shareholders can influence decisions simply by appointing more directors to represent them in the board. Such extraordinary voting power may make other directors less inclined to challenge them.

4.3 Agenda-Setting and Preparation of Information Packages

Board processes can be seen as beginning with the setting of an agenda and the preparation of an information package for the board meeting (e.g., Bezemer et al., 2014). Lorsch and Young (1990) argue that it is the CEO/executive team who determine which company matters and issues are addressed in board meetings, a view echoed by Peebles (2010), who finds that board agendas are mainly determined and dominated by the CEO/executive team, and determined by the board chair to a lesser extent. Further, Roberts (2002) and Bailey and Peck (2013) argue that some board chairs work with CEOs in developing the agenda, whilst Huse et al. (2005) observe that putting an item into the agenda gives outside directors an opportunity to formally raise issues in the agenda.

Social comparison theory (Festinger, 1954) suggests that, in the absence of an objective means of evaluation, individuals attempt to validate their own opinions by comparing them with those held by others. It follows that outside directors and the CEO/executive team may attempt to engage and interact with one another in an effort to assess the other side's potential proposals and ideas. This is supported by McNulty and Pettigrew (1999), Ravasi and Zattoni (2006) and Parker (2007a, 2007b), all of whom demonstrate that CEOs/executive teams consult on strategic issues and test their business proposals with outside directors informally. These exchanges expose outside directors to a range of information that helps them to better assess the viability of executives' ideas and proposals, as posited by persuasive arguments theory (Burnstein and Vinokur, 1973, 1975; Burnstein et al., 1973). However, they also give outside directors the opportunity to influence which agenda issues and proposals are put forward by CEOs/executive teams. Parker (2007b) goes further, suggesting that these informal interactions between directors and CEOs/executive teams allow directors themselves to initiate business proposals. Power circulation theory offers one explanation of what motivates directors during these interactions. The theory, which views directors and companies as political actors and coalitions, suggests that directors engage with the CEO/executive team or board chair/director in order to initiate a political agenda; that is, to further the interests of the coalition of shareholders they represent.

Following the literature, it seems likely that formal and informal engagements and interactions take place between CEOs/executive teams and boards of directors in Oman, in which the purpose is to introduce new agenda issues and influence CEO/executive team proposals. Outside directors may initiate agenda items formally prior to or in the meetings, or informally in their interactions with the CEO/executive team. For its part, the CEO/executive team may engage informally with outside directors to give them relevant information and explanation concerning potential proposals and issues. This helps outside directors to assess the merits and demerits of these proposals and gives them an opportunity to test and even influence their development before their formal deliberation in the boardroom. It is also likely that agenda formation in Oman is influenced by political processes, and that this increases the incidence of conflicts and disputes between directors in board meetings. As discussed in Chapter 2, ownership in most companies is closely held by families and the government (Elghuweel et al., 2017; Omran et al., 2008). Families and other major shareholders can shape the board agenda by engaging with the directors whom they appoint to represent them. These representative/s in turn engage with the CEO/executive team or board chair to explicitly or implicitly convey the shareholders' concerns and discuss how these can be included in the board agenda, though it should be noted that all agendas are subject to final approval from the board chair.

The Oman Code (2016) stipulates that boards of directors have to establish an audit committee and a nomination and remuneration committee to support the board in carrying out its roles and responsibilities. The discussions these committees have with the CEO/executive team and other concerned individuals may give them an opportunity to consider and have an input into the proposals being developed by the CEO/executive team before they are raised with the board of directors. Al Matari et al. (2014) note that another board sub-committee, the executive committee, is also found in the majority of listed companies in Oman, whilst the pilot study in the current research demonstrated that some Omani boards also establish other committees, such as an investment committee, risk committee and credit committee, to support them in performing their roles. The processes of the various board sub-committees in Oman are discussed in the following sections.

4.3.1 Audit Committee Processes

The Oman Code (2016) states that the audit committee must comprise no fewer than three outside directors, of whom the majority, including the chair, should be independent. Audit committee members engage and interact formally with one another, with the CEO/executive team, and with internal and external auditors (Beasley et al., 2009; Turley and Zaman, 2007; Gendron and Bédard, 2006). Turley and Zaman (2007) (see also the Oman Code, 2016) observe that the audit committee terms of reference allow the committee to engage with company employees. The purpose of these various engagements and interactions is to allow discussion of matters related to the company's internal control and financial reporting (Turley and Zaman, 2007). The Oman Code (2016) also gives the committee oversight over the CEO/executive team's compliance with the operational directives and guidelines set out by the board of directors, and states that the committee should make relevant recommendations to the board of directors.

Beasley et al. (2009), Turley and Zaman (2007) and Gendron and Bédard (2006) suggest that interactions between the audit committee, the CEO/executive team and auditors are not limited to formal audit committee meetings, but that there are also significant informal interactions between these constituents. The primary purpose of these engagements and interactions is to explain the quarterly reports and to address any disagreements between the executive team and auditors (Gendron and Bédard, 2006), though Turley and Zaman (2007) also note that the audit committee chair may engage informally with the board chair to report any critical issues occurring in the company (e.g., executive misuse of company resources).

As outlined above, audit committees in Oman are likely to engage and interact formally and informally with the CEO/executive team and employees and with internal and external auditors to deliberate upon and address their respective concerns. These interactions may also enable the audit committee to initiate and shape the board agenda; formal and informal interactions with internal and external auditors, for example, may highlight new issues (e.g., fraud) that will be discussed initially in the committee meeting and subsequently with the entire board in the formal board meeting.

4.3.2 Processes of the Nomination and Remuneration Committee and other Board Committees

The nomination and remuneration committee must comprise no fewer than three outside directors (Oman Code, 2016). These members engage and interact with each other to consider board and company executive nominations and to produce recommendations for the board of directors regarding sitting fees and remuneration structures and packages (Hermanson et al., 2012; Oman Code, 2016).

Hermanson et al. (2012) and Veliyath et al. (2016) suggest that the remuneration committee engages with the CEO to negotiate the remuneration structures and packages of the CEO and other executive members, and with other executives (e.g., Chief Financial Officer, Head of HR) to determine company-wide remuneration and set bonuses. The committee may employ consultants to provide advice on CEO/executive team remuneration. They also demonstrate that committee members engage informally with one another to exchange opinions, obtain clarifications and discuss unresolved disagreements, and with the CEO/executive team to obtain information and discuss matters relevant to new appointments. The evidence offered by Hermanson et al. (2012) also suggests that committee and board chairs interact informally to exchange opinions on committee matters (e.g., the appointment of outside directors to the committee). Clune et al. (2014) find that in some nomination committees, outside directors are nominated mostly by CEOs, but that CEOs in other committees are not actively engaged in the nomination of these directors. Further, they demonstrate that whilst some nomination committees employ formal processes to find new directors (e.g., a matrix approach to assess director skill, or retaining a recruitment company), others draw upon their own contacts to identify potential new recruits.

It follows that nomination and remuneration committees in Oman are likely to engage and interact formally and informally with the CEO and other relevant executives (e.g., the Head of HR) to discuss committee-relevant matters. These matters may include directors and executives' nomination and remuneration structure and company-wide remuneration. However, CEOs are less likely to be actively involved in the selection and nomination of board directors in the Omani context as they are not considered part of the committee and are seen as less powerful. As discussed earlier in Chapter 2, the Oman Code (2016) permits shareholders a role in nominating and electing directors, with dominant and major shareholders being allowed to appoint more directors depending on the percentage of shares they hold. Major shareholders, whether families, the government or investment funds, are thus able to influence both the committee's nomination process and the subsequent election in the general meetings.

As discussed, boards in Oman can establish committees other than those stipulated by the Oman Code (2016). As Al Matari et al. (2014) suggest, most boards of directors establish an executive committee. This committee is made up of outside directors who also sit on the board of directors. Its key responsibilities include reviewing and discussing matters related to the company's annual budget and plan, and monitoring the executive team's implementation of the strategic vision and targets specified by the board of directors[28]. The findings of the pilot study indicated that some boards of directors establish additional committees to support them in carrying out their roles efficiently, such as investment committees, risk committees and credit committees.

It is the contention of this study that just like audit committees and nomination and remuneration committees, executive committees, investment committees, risk committees and credit committees fulfil their roles via both formal and informal engagements and interactions with one another, and with the CEO and relevant executives and employees. For example, executive committee members are likely to interact with one another and with the CEO and relevant executives to discuss CEO/executive performance and any issues encountered by the executive team in achieving the targets specified by the board of directors. Similarly, the investment committee, risk committee and credit committee may engage with the CEO and other executives and employees (e.g., executives responsible for credit management, risk management, etc.) to discuss their respective matters. At the same time, the chairs of these

[28] This is the role of the executive committee as described in the corporate governance reports of companies listed on the Muscat Securities Market (e.g., Ooredoo, Raysut Cement, Oman Cement, National Bank of Oman).

committees may engage with the board chair to discuss and update her/him on any issues arising within their committee.

All these formal and informal interactions and engagements lead to the CEO/executive team producing information and the board sub-committees producing recommendations, which the board chair uses to set the agenda for the next board meeting. As required by law and by the corporate governance regulations (see UK Code, 2016; Oman Code, 2016), the agenda package is then submitted to all directors prior to the meeting to give them time to review the relevant materials and prepare for discussion of the agenda items. The following section discusses individual director preparation processes for these board meetings.

4.4 Board Information Review and Preparation

Forbes and Milliken (1999) and Zhu et al. (2016) argue that the time and effort directors devote to reviewing board information and preparing for meetings is crucial to board interactions and company-level outcomes because it enables directors to build a better knowledge and understanding of the company context and operations in general, and the agenda items and issues in particular. Further, board effort norms literature (Minichilli et al., 2012; Minichilli et al., 2009; Zona and Zattoni, 2007; Wan and Ong, 2005) suggests that board information review and preparation is crucial for board performance and effectiveness. For example, Rutherford et al. (2007) found that actively gathering information helps the board to design and implement efficient rules and policies to constrain CEO actions and behaviours, whilst Zhang (2010) highlights the importance of directors engaging actively in research in enabling the board to perform its strategic role efficiently.

Despite this, Zhu et al. (2016) argue that directors do not tend to review and prepare for meetings, whilst Forbes and Milliken (1999) argue that individual directors differ in the amount of effort they put into reviewing information and preparation. Lorsch and Young (1990) and

Carpenter and Westphal (2001) argue that outside directors are too busy and serve on multiple boards and hence do not devote sufficient time to examine agenda issues. This is disputed by Huse et al. (2005), who found that directors in the board they examined extensively reviewed board meeting packages, and by Finkelstein and Mooney (2003), who found that outside directors in their study requested clarifications and additional information on agenda issues. In addition, Rutherford and Buchholtz (2007) demonstrate that outside directors actively collect further information. They found that as the proportion of outside directors on the board increases, information quality and active information gathering improve. In other words, boards with a higher number of outside directors are more active in gathering quality information. One potential obstacle to directors' information gathering is highlighted by Finkelstein and Mooney (2003), who explain that late submission of the information package may mean that directors do not have time to review it properly. In these circumstances, they argue, directors generally accept the CEO/executive team's opinion.

Directors may also enhance their knowledge and understanding of the company's business context and prepare for meetings via informal processes. Roberts et al. (2005) suggest that outside directors may feel that engagement in the boardroom is not enough to build sufficient knowledge about the company, given the fact that formal meetings are constructed around a pre-determined agenda. Consequently, they may engage with executive directors outside the boardroom via informal channels of communication (e.g., telephone calls or conversations in restaurants) to improve their knowledge about the company. This is borne out by a CEO participant in McNulty and Pettigrew's (1999) study, who stated that outside directors engaged with him informally when they wanted to clarify or improve their understanding of issues in the information package. Finally, Zhu et al. (2016) point out that outside directors may gather information by undertaking their own research. According to social comparison theory (Festinger, 1954), directors are inclined to assess their opinions and abilities against those of other directors with similar opinions and abilities, and to reduce the discrepancies that exist between them on the issue under consideration. Directors may thus compare opinions informally before the formal meetings. Such informal engagements, suggests persuasive arguments theory (Burnstein and Vinokur, 1973, 1975; Burnstein et al., 1973), give outside directors an opportunity to be persuaded of the merits of one particular argument and bring their opinions closer together.

Although careful preparation in advance of board meetings is regarded as desirable, it should be noted that outside directors are often executives in other companies, with the work load and responsibilities that entails (Lorsch and Young, 1990). In this case, they may not always have the time to examine company matters and issues and to do the necessary research and work (Zhu et al., 2016; Forbes and Milliken, 1999; Lorsch and Young, 1990), with the result that they attend board meetings unprepared. This may enable better-prepared directors to be more influential in decision-making processes in the formal meetings. As Miller (1982) and Zanna et al. (1975) suggest, the performance and influence of an individual in decision making may come from non-ability attributes such as the effort and time they devote to board agenda issues. Huse and Grethe Solberg's (2006) study appears to support this with its finding that inadequate preparation by male directors enabled women directors, who were better prepared, to be more influential in board decision making.

Power circulation theory (Combs et al., 2007; Ocasio, 1994) offers an alternative explanation of why some individuals interact informally. The theory views outside directors and CEOs/executive teams as political actors who form coalitions in order to influence board decisions. These coalitions are built up outside the boardroom as directors engage informally with each other and the CEO/executive team. The decision that is ultimately made in the formal meeting, power circulation theory suggests, simply reflects the view of the most powerful coalition. The role of political activities and coalitions in influencing board decisions is highlighted by numerous authors, including McNulty and Pettigrew (1996), Ravasi and Zattoni (2006), Parker (2007a), Bailey and Peck (2013) and Huse and Grethe Solberg (2006). Stevenson and Radin (2009) suggest that directors should develop ties in the board if they want to have influence over the decision-making process, whilst Huse and Grethe Solberg (2006) advise that women directors should attempt to build coalitions with the most influential male directors if they wish to influence board decisions. That some directors are perceived as more influential than others is also highlighted by Maitlis (2004), who finds that CEOs/executive teams tend to develop stronger ties to these directors, often interacting and collaborating with them to develop proposals, influence board decisions and build consensus.

The above discussion suggests that in Oman, the amount of time and effort given to information review and preparation by individual directors is likely to vary, with some directors devoting significant time to reviewing the agenda and information package and others doing minimal or no preparation due to their busy schedule and their work elsewhere. As a result, these directors may have less influence over board decision-making processes. Those directors who are active may prepare for board meetings in different ways, engaging with the CEO/executive team both formally and informally during the review process to obtain further information about and clarification of the agenda items, and undertaking their own research. The pilot study indicated that outside directors also prepare for board meetings by interacting with their friends and employees who have relevant knowledge and experience of the agenda issues, without disclosing sensitive or confidential information about the company or the issue under consideration. These formal and informal engagements are intended to enhance directors' knowledge and understanding of both agenda items and the company context and operations, promoting effective interactions and deliberations in the formal board meetings. However, if power circulation theory's assumption (Combs et al., 2007; Ocasio, 1994) that directors and CEOs/executive teams form political coalitions is correct, it follows that the informal interactions between directors and CEOs/executive teams, and among directors, are designed not just to ensure efficient preparation for board meetings, but also to build alliances for the purpose of influencing board decision making. Outside directors in Oman may be interacting with other directors outside the context of formal meetings in order to further their own interests in regard to specific agenda items. Similarly, CEOs may be engaging with outside directors and attempting to build coalitions to get the board to support their proposals and recommendations, especially if they believe that there are directors on the board who may object.

In light of the above discussion, the study conceptualises that formal and informal board interactions may inform one another in a number of ways. The informal exchange of opinions and views on matters due to be addressed in the formal board meeting may serve to unify opinions among directors, in which case the final decision will reflect this informal early consensus. However, the same result may also occur if the informal political interactions of a powerful coalition of directors (e.g., representatives of the dominant shareholders) make other directors reluctant to stand against them. However, as the power circulation theory (Ocasio, 1994) suggests, powerful coalition (e.g., dominant shareholders) struggles to maintain its power as this power erodes and moves over time to the coalitions of directors who represent other shareholders.

4.5 Board Meetings

Board interaction in formal meetings begins with a presentation by the CEO/executive team (Pugliese et al., 2015; Huse et al., 2005) and may include exchanges between the board chair, outside directors and executive members, in line with the meeting agenda (Pugliese et al., 2015; Bezemer et al., 2014). Heemskerk et al. (2017) observe that the board of directors may also engage with a consultant if necessary, to resolve any intractable disagreements between directors about the board's role and independence. The pilot study also found interactions between directors and other individuals, such as company employees and auditors, taking place in formal meetings. As stewardship theory (Sundaramurthy and Lewis, 2003; Davis et al., 1997; Donaldson and Davis, 1991) and Resource dependency theory (Zona, 2015; Hillman and Dalziel, 2003; Pfeffer and Salancik, 1978) suggest, these engagements take place to deliberate matters related to the advisory role of boards of directors such as company strategy (e.g., Bailey and Peck, 2013; Machold and Farquhar, 2013; Adams et al., 2010; McNulty and Pettigrew, 1999). Agency theory (Fama and Jensen, 1983; Fama, 1980; Jensen and Meckling, 1976) also suggests that directors in these interactions engage in monitoring the CEO/executive team.

According to social comparison theory (Festinger, 1954), in these interactions, directors exchange opinions, and directors who hold similar opinions gravitate towards each other. If all directors share the same opinion, it is easy for the board to make a collective decision, but the exchange of opinions in the boardroom may also produce disagreement, especially if the directors come from different functional backgrounds (Forbes and Milliken, 1999). Persuasive arguments theory (Burnstein et al., 1973) posits that, in this context, as directors exchange knowledge and information to support their opinions, a range of arguments become available to all directors, enabling them to recognise the merits and demerits of different positions. However, the exchange of views may only serve to intensify cognitive or affective conflicts within the board. Cognitive conflicts can enhance the exchange of information and the quality of debate among directors, helping outside directors to critically evaluate CEO/executive team proposals, for example, and forcing them to justify their approach and views. This helps ensure that the board gives due consideration to a number of possible alternatives, ultimately improving its decision making (Forbes and Milliken, 1999). On the other hand, social comparison theory (Festinger, 1954) suggests that directors tend to see opposing opinions as an expression of hostility. This may result in affective conflicts that are detrimental to board performance and decisions (Minichilli et al., 2012). Festinger (1954) suggests that in the decision-making context, individuals tend to support the majority opinion or that of the person they consider the most knowledgeable. It follows that the opinions that will gain most support among directors are those held by directors who are seen as the most knowledgeable on the issue being considered, and that the opinion that is supported by most directors in the meeting will then be accepted by the other directors, facilitating board consensus. For example, He and Huang (2011) suggest that when directors are clear about the competence of one another, they accept and respect this which facilitate board coordination, deliberation and decision-making.

A number of researchers have sought to describe the different kinds of engagement and interaction that occur in formal meetings. Forbes and Milliken (1999) describe the interactions among directors, which they characterise as directors utilising their knowledge and engaging in cognitive deliberations. Similarly, Samra-Fredericks (2000) and Huse et al. (2005) observe that directors exchange knowledge and information with one another in formal meetings. Parker (2007b) observes that these interactions, although taking place in a formal context, are often characterised by informality and humour among directors.

Brennan et al. (2016) suggest that outside directors and the CEO/executive team share and exchange tacit and explicit information and knowledge. Also focusing on exchanges between the CEO/executive team and directors, Parker (2008) demonstrates that the interactions between the two groups take several forms, including advice, support and challenge. This is echoed by a number of researchers. Forbes and Milliken (1999) suggest that formal meetings give the CEO/executive team an opportunity to explain company issues to directors, and directors a chance to challenge the CEO/executive team on its proposals and issues. Similarly, McNulty and Pettigrew (1996) and Roberts et al. (2005) suggest that directors engage with the CEO/executive team in formal meetings to obtain further explanation of the agenda issues, and to challenge it. Machold and Farquhar (2013) show how outside directors engage with the CEO/executive team to provide advice on the agenda issues under deliberation, whilst Brundin and Nordqvist (2008) observe that directors' interaction with the CEO may be questioning and investigative in nature in the event of bad news.

The interaction between the board and shareholders' interests can impact on the board's decision-making style (Bailey and Peck, 2013) by provoking conflict and disagreement between directors. In such circumstances, bargaining and negotiation processes may be deployed to resolve disagreements outside the boardroom (Ravasi and Zattoni, 2006; Van Ees et al., 2009; Stevenson and Radin, 2009). A final board decision is reached when directors accept the most persuasive argument (persuasive arguments theory), the majority view or the recommendation of the most knowledgeable director (social comparison theory), or the view advocated by the most powerful political coalition (power circulation theory).

The above discussion suggests that boards of directors in the context of Oman are likely to engage and interact in formal meetings with a range of constituents, including the CEO/executive team, company employees, internal auditors, external auditors and consultants. The meeting may begin with a presentation from the CEO/executive team or relevant individual (e.g., auditor, employee, consultant) on the agenda issues, after which directors may interact with these individuals about the agenda item(s). These interactions may take a number of forms: directors may question the CEO/executive team or relevant individuals to obtain a more detailed explanation of the agenda issues or to urge them to justify their opinion or position; and they may then share their own information, knowledge and advice or challenge the information that has been presented to them. Directors may share their own views on the agenda issues, with directors with similar views possibly acting together to influence the opinion of their colleagues. Directors may eventually accept the opinion shared by the majority of directors or knowledgeable and expert directors and allow this to become the board decision.

Alternatively, interactions with dissenting directors may give rise to personal conflicts if the dissenters feel threatened by their colleagues' arguments. In the event of a dispute, discussion may be continued outside the boardroom to reach a compromise; this resolution process may involve the board chair, CEO, outside directors and those major shareholders they represent. Where directors come from different functional backgrounds and have different areas of expertise, a range of arguments are likely to be advanced in the meeting. This will expand the information available to directors, which should make it easier for the board to recognise the most persuasive argument and make the best decision. Where the issue is company-critical (e.g., mergers and acquisitions), the board is unlikely to be able to arrive at a decision in the course of a single board meeting. Critical matters may be on the agenda for discussion and deliberation for a succession of meetings.

4.6 Factors Affecting Board Processes

Formal and informal engagements and interactions, and their resultant outcomes, are impacted by a number of factors. In the context of Oman, these may include Omani culture, power relationships, the board/executive relationship, social ties, and politics and vested interests.

4.6.1 Omani Culture

As discussed in Chapter 2, the culture in Oman may affect the way a board interacts. Moideenkutty et al. (2011) suggest that Omani culture is characterised by high uncertainty avoidance and collectivism. This implies that boards of directors might not be inclined to approve risky and uncertain proposals and investments, which may, in turn, make CEOs/executive teams less motivated to initiate and propose such investments to the board of directors. Instead, directors are more likely to restrict themselves to considering less risky proposals; where proposals do carry an element of risk or outcomes are uncertain, cultural expectations mean that boards might be more cautious. Indeed, they may regularly interact with consultants to ensure that the risks associated with CEO/executive team proposals are measurable. In addition, the collectivistic culture may make board directors in Oman to act in line with the interest of their families and tribes. Further, boards might be more inclined to maintain harmony and consensus, reducing the level of disagreements in the boardroom.

Elghuweel et al. (2016) and Al-Hamadi et al. (2007) also point to the cultural importance given to social status in Oman with their observation that corporations in the country are characterised by hierarchical social structures. This might lead directors to be over-deferential towards and reluctant to challenge the views of directors in positions of high social importance and status, with possible adverse consequences for board decision making. Likewise, directors might be reluctant to openly share their views in meetings if they believe these views may not be supported by high-status directors. Finally, as discussed in Chapter 2, the emphasis in Omani culture on expressions of mutual respect and flattery may make directors keen to avoid disagreements and confrontation, particularly with directors who are older. This is different from the study of Westphal and Stern (2007) and Stern and Westphal (2010) who found the existence of flattery between directors to attain board appointments at other boards.

4.6.2 Social Ties

Social ties are conceptualised in this study as the social relations (e.g., friendship and family kinship) between directors serving on the board (e.g., Stevenson and Radin, 2009; Westphal, 1999). Elghuweel et al. (2016) and Al-Hamadi et al. (2007) suggest that corporations in Oman are characterised by a high reliance on informal rules and relationships. This suggests that interactions between directors in Oman may be significantly impacted by kinship ties, tribal values and nepotism. In such a context, directors are unlikely to challenge friends or fellow tribe members, and more likely to favour and support their relatives and friends' views when they are challenged by other directors. This may lead to the creation of multiple coalitions based on directors' social relations and ties, and consequent friction among directors. Directors who share friendship and family or network ties (Stevenson and Radin, 2009) may communicate and interact socially outside of formal board meetings. These informal board interactions may then inform formal board interactions; Stevenson and Radin (2009) suggest that strong ties facilitate interactions outside boardrooms that give some directors more influence over formal decision-making processes.

4.6.3 Politics and Vested Interests

Politics and vested interests may affect the way a board interacts, particularly if directors do not share a common vision that is aligned with company interests (Bailey and Peck, 2013). In this context, directors may engage in political manoeuvres such as controlling meeting agendas, offline lobbying and behind-the-scenes coalition building (Bailey and Peck, 2013). The interactions of these coalitions outside the boardroom may inform the formal interactions, for example, by diminishing the flow of information and cooperation among directors. As Zona (2015) argues, directors may use their information to negotiate and protect their own interests, instead of using information to share insights and integrate contributions in the boardroom. Similarly, offline lobbying between powerful individuals (e.g., board chair/dominant directors) to control the meeting agenda may result in board interactions being focused on matters and issues that serve their personal interests and goals (Bailey and Peck, 2013).

As previously discussed, major shareholders in Oman can appoint outside directors to represent their interests on the board. These outside directors may engage with the shareholders they represent to understand their interests and objectives. Outside directors representing the same shareholder may also engage outside the boardroom to build a coalition and ensure they are aligned with the interests of their shareholder, before addressing these interests in the formal board meetings.

4.6.4 Power Relationships

Following Hendry et al. (2010), Turley and Zaman (2007), McNulty and Pettigrew (1996) and Pettigrew and McNulty (1995), power is conceptualised in the present study as a relational phenomenon that is generated in the context of relationships with others (e.g., board power relative to CEO). Pettigrew and McNulty (1995) and McNulty and Pettigrew (1996) identify different sources of power through which directors influence decisions. These include directors' knowledge, personal networks and relationship with the board chair/CEO, their external legitimacy and their role as representatives of shareholders or regulators. In the context of Oman, the board of directors is seen more powerful than the CEO and directors representing dominants or major shareholders are more powerful than other directors. Accordingly, the power relationship is conceptualised in the present study as the power of outside directors/key executives relative to the other outside directors on the board. It concerns the ability of outside directors, the CEO and other executives to use the power sources available to them to produce the desired outcomes during decision-making processes (McNulty and Pettigrew, 1996). As Hendry et al. (2010) demonstrate, when boards have more power relative to the CEO such as in the context of Oman, boards are seen more enable to engage in the strategic direction of the company.

As Omran et al. (2008) and Elghuweel et al. (2017) suggest, companies in Oman are closely held by families and the government. The fact that these dominant shareholders can appoint more directors to represent them on the board than other shareholders (see Chapter 2) is likely to give them significant power over discussions and interactions in the boardroom and influence over board decisions. Moreover, as Elghuweel et al. (2016) point out, Omani culture is characterised by high power distance. This may augment the already significant power enjoyed by some directors under the concentrated ownership structure and widen the distance between outside directors representing dominant or major shareholders and other minority outside directors, further strengthening the ability of the former to dominate and control board decision-making processes. Finally, those directors on Omani boards who possess extensive knowledge and experience, strong networks and a good relationship with the board chair are likely to be more influential than their less experienced colleagues.

4.6.5 Board/Executive Relationships

Another factor that may affect board interaction and thus the boardroom culture is the relationships among directors, and between the board and executives (e.g., Zona, 2015; Huse et al., 2005; Roberts et al., 2005; Roberts, 2002; Forbes and Milliken, 1999). Roberts et al. (2005) and Roberts (2002) characterise board/executive relationships as either complimentary/competitive or complementary. They argue that a complementary relationship helps executive directors to initiate advice interactions. This, in turn, enables outside directors and board chairs to build up the relevant knowledge through their interactions with the CEO/executive team and allows the board chair to create a climate that makes outside directors more effective in the boardroom (Roberts et al., 2005). By contrast, a complimentary/competitive relationship is detrimental to board performance. In this context, executives might be frustrated or be resentful if they consider the contributions of outside directors to be ill-informed or inappropriate. Golden-Biddle and Rao (1997) demonstrate that boards made up of directors linked by family/friendship relationships are less likely to experience task conflict as directors in this context are not inclined to disagree with one another. Similarly, Heemskerk et al. (2017) suggest that where the relationship between directors or between directors and CEOs is harmonious, disagreements are less likely.

Another type of relationship that influences board decision-making processes is trust. The importance of trust relationships has been highlighted by a number of authors; Roberts (2002), for example, suggests that inter-personal and professional trust relationships between the board of directors and the CEO/executive team enhance outside directors' engagement with and commitment to company strategy, leading to better-quality deliberation, whilst Roberts and Stiles (1999) observe that trust facilitates the creation of a complementary and supportive relationship between the board chair and CEO. Huse et al. (2005) and Forbes and Milliken (1999) see the trust relationship among directors as crucial for promoting positive and efficient board dynamics and cohesiveness; this cohesiveness, which Parker (2007b) describes as being expressed in the informality, humour and mutual respect of directors, promotes more effective engagement and deliberation in meetings. The role of trust in enhancing the board's ability to utilise its collective knowledge more effectively is highlighted by Zona (2015) who argued that it plays a key role in promoting and enhancing information sharing in formal meetings and by Bailey and Peck (2013) who found in their study that it promotes procedural rationality decision-making style (making decisions based on the collection of relevant information to agenda issues and the analysis of this information). However, a note of caution is sounded by Van Ees et al. (2008), who find a negative moderating effect of trust on the relationship between the board's use of knowledge and its monitoring performance. This suggests that trust can be seen as a double-edged sword; on the one hand, it can facilitate information sharing but on the other hand, it can lead to an uncritical satisfaction with the CEO/executive team that prevents the board from performing its monitoring role efficiently.

It follows that the nature of the board/executive relationship is also likely to impact on board processes in Oman, with CEOs/executive teams being more likely to approach outside directors for support and advice in boards that exhibit strong complementary and professional trust relationships. These relationships are also more likely to foster a climate that makes formal meetings more productive and efficient. Those boards that operate in an environment characterised by competitive, over trust or family/friendship relationships may experience a board climate that produces ineffective engagements and deliberation in formal meetings.

4.7 Summary

This chapter has presented the conceptual framework for the examination of the processes by which boards of directors influence decisions and outcomes in their company. The framework was developed based on existing board processes literature and the theoretical insights of social comparison theory, persuasive arguments theory and power circulation theory, and it is set in the Omani context. The framework explores the influence of board structural attributes and a number of factors on board decision-making processes and demonstrates the formal and informal engagements and interactions that take place before a board makes a decision.

The conceptual framework posits that board structural attributes have a range of effects on board processes. It regards boards as influencing decisions through the formal and informal engagements and interactions that take place between constituents during the agenda creation, individual director preparation and formal meeting processes. Finally, it suggests that these formal and informal engagements and interactions may be impacted by power relationships, the board/executive relationship, the board chair's leadership skills, political considerations and vested interests, social ties and the Omani culture.

The subsequent chapter discusses the methodology that was employed to address the research questions.

Chapter 5

Research Methodology

5.1 Introduction

The previous chapter explained the conceptual framework for the study. This chapter explains the philosophical assumptions and methodological approach that were employed to address the following research questions:

1) What are the processes by which boards of directors influence company decisions?
2) What are the factors influencing boards' decision-making processes?

The chapter begins with a discussion of the main philosophical assumptions, paradigms and approaches that underpin most research before justifying the choice of research paradigm and approach for this study. The chapter then discusses the qualitative and quantitative research methods and provides justifications for the research method and techniques employed in the present study. It discusses the pilot study and the steps taken to ensure the trustworthiness of the findings, along with the procedures for ensuring that the research adheres to ethical guidelines. The chapter concludes with a brief summary.

5.2 Research Paradigms and Philosophical Assumptions

A research paradigm is "the basic belief system or worldview that guides the investigator, not only in choices of method but in ontologically and epistemologically fundamental ways" (Guba and Lincoln, 1994, p.105). In other words, it is the ideology and philosophy that define for the investigator the nature of the world and her/his relationship with it. It guides the investigator in how s/he should go about discovering what s/he believes can be known in the course of her/his engagements with the world (Guba and Lincoln, 1994). Creswell (2007) and Easterby-Smith et al. (2012) assert the importance of carefully considering the paradigm and philosophical assumptions that will underpin the research, arguing that failure to do so may lead the inquirer to choose a research approach that is unable to answer the research questions (Easterby-Smith et al., 2012). It may also impede the researcher from conducting a systematic and clear research inquiry by disconnecting its philosophical assumptions from its practical aspects (Grix, 2010).

Guba and Lincoln (1994) suggest that research inquiries are generally based on four paradigms – critical theory, constructivism, positivism and post-positivism – each of which has its own set of ontological, epistemological and methodological assumptions (Guba and Lincoln, 1994; Sarantakos, 2013). Ontology refers to the nature and structure of existence and reality; it is concerned with the interpretation of what the inquirer believes to be facts that can be defined as existing in the real world, and *what* s/he can know about this reality. Epistemological assumptions concern the nature of knowledge (that is, *how* the researcher can know about this reality), as well as the relationship between the inquirer and what is being researched, and the level of separation between the two (Guba and Lincoln, 1994; Henn et al., 2005; Hussey and Hussey, 1997). Finally, methodological assumptions revolve around the process and methods that can be employed to find out what can be known (Guba and Lincoln, 1994; Henn et al., 2005). These philosophical assumptions inform one another; the researcher's ontological position informs her/his epistemological position, which in turn informs the choice of methodology (Henn et al., 2005; Sarantakos, 2013). Consequently, all have a direct impact on how a research inquiry is conducted (Crotty, 2014; Henn et al., 2005; Creswell, 2007; Sarantakos, 2013).

The following sections discuss the critical theory, constructivism, positivism and post-positivism paradigms in terms of their respective ontological, epistemological and methodological assumptions.

5.2.1 Critical Theory

Ontologically, the critical theory paradigm assumes that reality exists over time as the product of disorderly collections of factors affected by social, political, cultural, economic, ethnic and gender forces (historical realism) (Guba and Lincoln, 1994). Epistemologically, it posits that, to create knowledge concerning the research object, the inquirer needs to take into consideration those factors and contexts that limit and oppress the thoughts and actions of the relevant individuals or groups (e.g., ethnic minority groups) (Henn et al., 2005). Guba and Lincoln (1994) suggest that, in this paradigm, knowledge is created in an interactive and value-laden way, and hence, the researcher's values inevitably mediate and influence the findings. In other words, the researcher pursues an agenda that informs and shapes the inquiry outcomes (Henn et al., 2005). The methodology takes a dialectical approach in which the interaction between researcher and research object is clearly led by the former (Guba and Lincoln, 1994). The critical theory paradigm places particular emphasis on exposing the underlying and fundamental issues affecting disregarded and marginalised individuals and groups (e.g., inequalities, injustices) with the aim of empowering these groups and effecting social change (Henn et al., 2005).

5.2.2 Constructivism

The ontological assumption underlying constructivism is relativism, or the suggestion that there is no such thing as absolute truth. This paradigm asserts that reality is locally and socially constructed in multiple forms, and that these realities are understood differently by different individuals according to their intellect and experience. (Hussey and Hussey, 1997; Creswell, 2007; Easterby-Smith et al., 2012). Furthermore, these social realities may change over time as the individuals who construct them become more informed and sophisticated (Guba and Lincoln, 1994). The assumption that reality is not singular, external and objective, but multiple and constructed suggests that any knowledge gained about this reality (epistemology) will also not be objective or independent. Rather, knowledge is realised through the inquirer interacting with the research object to obtain subjective meanings that are not directly observable (Guba and Lincoln, 1994; Henn et al., 2005). This suggests on the one hand, that reality has no meaning until it is being addressed by the inquirer (Sarantakos, 2013), and on the other, that the inquirer is part of the research and there can be no separation of fact and value in the conduct of the inquiry (Grix, 2010).

In the constructivist paradigm, the inquirer may employ language and hermeneutical processes to obtain meaning, with findings being identified even as the inquiry is still being conducted (Guba and Lincoln, 1994; Easterby-Smith et al., 2012). On the whole, the emphasis is on enhancing understanding of the research object through the analysis of human perceptions and actions (Grix, 2010; Henn et al., 2005). Accordingly, research inquiries in this paradigm tend to be small in scale and conducted intensively to obtain in-depth descriptions and understanding of the research object (Henn et al., 2005).

5.2.3 Positivism

Positivism's ontological position is naïve realism; it suggests that reality is objective, singular and concrete, and that the research object exists externally and independently from individuals' consciousness and beliefs (Guba and Lincoln, 1994; Crotty, 2014; Bisman, 2010). Epistemologically, it assumes that knowledge is directly observable by the researcher (Henn et al., 2005), who is independent of the research object (Guba and Lincoln, 1994; Ryan, 2006). Since neither the researcher nor the object being researched have any influence on the other, the outcomes of the inquiry are value-free: that is, free of human beliefs, interests and biases. This is further ensured by the researcher following rigorous procedures to avert any threat to the validity and reliability of the outcomes (Guba and Lincoln, 1994).

Methodologically, positivism assumes that reality can be measured through objective and scientific methods. This involves formulating research hypotheses, which are then verified by means of direct observation and a range of empirical tests. Steps are taken to control any confounding variables that might improperly affect the outcomes (Guba and Lincoln, 1994; Grix, 2010) wherein the replication of findings is true (Guba and Lincoln, 1994; Hussey and Hussey, 1997). The verification process in positivism enables the researcher to obtain observations and develop theories that can then be generalised to other, similar research inquiries. However, as Henn et al. (2005) argue, limiting researchers to the repeated verification of what we already know (existent theory) impedes us from advancing our knowledge and exploring other possibilities. In addition, this paradigm neglects the contextual and human behavioural data that might influence outcomes and findings (Guba and Lincoln, 1994). The emphasis in positivist research is generally on explanation and objectivity using statistical and value-free procedures (Grix, 2010; Guba and Lincoln, 1994). Large-scale inquiries are conducted to explain the cause and effect relationships between variables (Henn et al., 2005).

5.2.4 Post-Positivism

Grix (2010) describes post-positivism as positioned between positivism and constructivism, arguing that its philosophical assumptions are a mixture of the two paradigms. Similarly, Guba and Lincoln (1994) characterise the assumptions of post-positivism as a modified version of those in positivism, arguing that the former responds to some of the inherent problems in the latter. Like positivism, post-positivism operates on the ontological assumption that reality is objective and exists externally and independently from the researcher's beliefs and interests. However, unlike positivism, it asserts that reality cannot be captured perfectly (Guba and Lincoln, 1994; Bryman 2012) due to the weakness of human intellectual mechanisms and the difficulties in controlling and managing the nature of the research object (Guba and Lincoln, 1994). Post-positivism is also known as critical realism, suggesting that the reality that is captured must be subjected to extensive critical examination (Guba and Lincoln, 1994). The fact that the structure of this reality is influenced by a range of factors (e.g., context, religion) means that it can be constructed in multiple ways (Bisman, 2010; Cohen et al., 2018). Further, it might be perceived differently at different points as the perceptions of social actors can change and adapt over time (Bisman, 2010).

The epistemological and methodological assumptions of post-positivism are modified versions of those in positivism. Epistemologically, it assumes that whilst the inquirer may identify outcomes that are factually true (Guba and Lincoln, 1994), this is not sufficient to fully capture knowledge as meaning cannot be inferred by observation alone (Cohen et al., 2018). The research object cannot donate meaning, and the inquiry will inevitably be influenced by the values and theories brought by the researcher that s/he recognises and attempts to address. The knowledge generated will therefore be value-laden, suggesting the possibility of multiple knowledges (Cohen et al., 2018).

Like positivism, this paradigm emphasises the use of scientific method, but in this case, multiple measurements and observations are used to disprove, rather than verify, hypotheses (Guba and Lincoln, 1994; Cohen et al., 2018). The inquiry outcomes and findings are in their turn subject to future challenge and revision as new evidence emerges (Cohen et al., 2018). Post-positivism allows for methodological triangulation with interpretive methods being deployed to offer explanation alongside objective scientific methods (Bisman, 2010; Grix, 2010). Post-positivism's main emphasis is on combining methods in this way to offer causal explanations and interpretative understanding of the research object (Grix, 2010).

5.3 Research Paradigm and Approach Underpinning This Study

Having discussed the four main paradigms that generally underpin research, this section discusses the main research approaches (deductive and inductive) and explains the choice of research paradigm and approach in this study.

The research questions in the current study are designed to provide an understanding of board decision-making processes and the factors affecting their work. Accordingly, the study employs the constructivist paradigm and an inductive approach. Constructivism focuses on understanding the research object through the analysis of human perceptions and actions (Grix, 2010; Henn et al., 2005). Ontologically, the reality of board processes is constructed by those directors who serve on boards. Since this reality is dependent on the experience of these directors and the context in which the boards operate, it is likely that directors have constructed multiple, possibly contradictory, realities. This does not sit well with the objectivity of positivism and post-positivism or critical theory's historical realism, which suggests that reality is the product of social, political, cultural, economic, ethnic and gender factors and forces. From the epistemological perspective, gaining an understanding of board processes and the factors affecting these processes required the researcher to engage with directors to develop insights into the work of boards of directors. This necessitated becoming close to directors to explore the meanings they constructed, rather than trying to examine these meanings in an objective way, as required by positivism. Although post-positivism acknowledges the value-laden nature of knowledge and that multiple knowledges can co-exist, it suggests that these knowledges that gained from the research object are perceptions about a single reality (Healy and Perry, 2000). Critical theory was considered unsuitable because it assumes that knowledge is shaped by the researcher's agenda (Henn et al., 2005). From the methodological perspective, constructivism's emphasis on language and hermeneutical processes was appropriate as it allowed the researcher to engage with directors to develop an interpretative understanding of board processes and the factors influencing boards' work. This was more likely to yield answers to the research questions than developing hypotheses and applying scientific and statistical methods to test them, as required under the positivist and post-positivist paradigms. Critical theory was rejected because although it allows for dialectical interaction between researcher and object is being researched, this is undertaken with the aim of reconstructing previously held constructions (Guba and Lincoln, 1994).

The main approaches applied in research are the deductive and the inductive research approaches (Grix, 2010; Saunders et al., 2015). The deductive approach is often employed in scientific research to test causal relationships between variables (Saunders et al., 2009). General inferences are deduced from a particular instance, moving from the general to the specific (Hussey and Hussey, 1997). This involves the researcher developing a theoretical structure and hypotheses which are then tested (Hussey and Hussey, 1997; Saunders et al., 2015) to disprove or verify them (Grix, 2010). By contrast, the inductive approach induces general inferences from a particular instance, moving from the specific to the general. The researcher interacts with the research object to collect and analyse the data and then formulates theory on the basis of these empirical results (Hussey and Hussey, 1997). This approach enables the researcher to develop an understanding of how individuals perceive their social world (Saunders et al., 2015).

Although the current study applied an inductive approach and engaged with directors to generate themes and categories (specific to general), it was initially guided by theory. Ragin and Amoroso (2011) and Grix (2010) note the inevitable interplay between theory and evidence when they suggest that the application of theory is important in guiding the research inquiry. Consequently, a theoretical underpinning and conceptual framework were developed before the fieldwork was conducted with boards of directors.

5.4 Research Method

The inductive and deductive approaches have generated two main research methods or designs: quantitative and qualitative research (Saunders et al., 2015). Quantitative research, which is closely related to the positivist paradigm and the deductive approach (Hussey and Hussey, 1997), usually involves employing experiments and survey techniques to gather data in an objective and value-free way. The emphasis is on conducting a reliable and generalisable inquiry that is replicable by other researchers. The researcher formulates a research hypothesis based on a predefined theory and collects or generates numerical data, which is then analysed statistically to test this hypothesis (Hussey and Hussey, 1997; Henn et al., 2005). The research object is investigated by means of indicators (e.g., questionnaire items) which are designed to measure specific concepts or how these concepts are operationalised (Henn et al., 2005). By contrast, the qualitative approach, which is closely related to the constructivist paradigm and the inductive approach, involves the subjective investigation of the research object and the generation of theory from a real context setting (Hussey and Hussey, 1997). The researcher engages with the research object in order to collect non-numerical data that is then classified into categories and analysed through the use of conceptualisation (Saunders et al., 2015).

Both quantitative (often using questionnaires) (e.g., Bettinelli, 2011) and qualitative research approaches (e.g., Bailey and Peck, 2013) are evident in the board process literature, but a quantitative approach would have been inconsistent with the research inquiry in this study, given that the research questions seek to obtain a better understanding of board processes and the factors influencing decision-making processes. As previously stated, this led to the choice of the constructivist paradigm. Accordingly, this study employed a qualitative approach. This approach enabled the researcher to interact directly with directors to obtain an in-depth understanding of board processes and influential factors, as perceived by these directors (e.g., Hussey and Hussey, 1997). As Miles and Huberman (1994) predict, this produced unanticipated findings that enabled the researcher to refine the conceptual framework into something more meaningful and practical.

There are four key data-gathering techniques in the qualitative approach: participant observations, in-depth interviews, focused group interviews and documentary analysis (Henn et al., 2005). A number of qualitative studies have already used interviews to examine board or sub-committee processes (e.g., Clune et al., 2014; Bailey and Peck, 2013; Halton, 2013; Hermanson et al., 2012; Beasley et al., 2009; Turley and Zaman, 2007; Gendron and Bédard, 2006; Finkelstein and Mooney, 2003). Hussey and Hussey (1997) suggest that interviews are an appropriate data collection method in this context because they enable the researcher to collect data on subjects that are confidential and complex. Similarly, Henn et al. (2005) suggest that interviews make it easier to collect data that might be considered sensitive because they create an environment in which participants (e.g., directors) can freely and frankly talk about the research issues.

Another reason for choosing interviews as the primary data collection method was that gaining access to board meetings for observation purposes or to meeting minutes for documentary analysis can be extremely difficult. Further, the act of observation itself might have affected how directors interacted in the meeting, or the observation might have occurred on a day when the board was only discussing routine matters. Similarly, as suggested by Heemskerk et al. (2017) and the participants in this study, the meeting minutes might only reveal the outcomes of board discussion, rather than capturing a comprehensive picture of engagements and interactions in the boardroom. In addition, it would have been impractical to observe the informal processes that take place between directors outside the formal meetings, and such processes are not documented in the minutes. On the whole, this suggests that observation and documentary analysis alone would have been insufficient to obtain a holistic understanding of board processes and the factors affecting them. Instead, the study relied solely on interviews as a means of data collection, making it a “mono method qualitative study” (Saunders et al., 2015, p.168).

In-depth interviews may be unstructured or semi-structured (Bryman and Bell, 2011). The unstructured interview is characterised by a single general question or a brief set of prompts about the research issue, whereas the researcher in a semi-structured interview is guided by a list of questions concerning the areas that the study intends to cover (Bryman and Bell, 2011). The virtual lack of formal questions in the unstructured interview allows interviewees to respond freely, but semi-structured interviews also give the researcher the freedom to divert from the question schedule to follow up on participants’ responses and obtain clearer and more detailed data. This enables new issues to emerge, facilitating deeper understanding of the research object (Hussey and Hussey,1997; Saunders et al., 2009; Bryman and Bell, 2011). The data collected via semi-structured interviews in this study helped in gaining additional, critical information on the different board processes and the factors affecting them. The major disadvantage of this approach was the considerable time and cost involved in conducting the interviews and in transcribing and analysing the results (Hussey and Hussey, 1997; Bryman and Bell, 2011).

5.5 Population and Sample

The target population of the study were outside directors serving on the boards of companies listed on the Muscat Securities Market (MSM). At the time of data collection, there were 110 such companies. Outside directors are important; boards of companies listed on the MSM must consist entirely of outside directors, who play a key role in advising and monitoring the CEO/executive team. The final sample for the study consisted of those outside directors to whom the researcher was able to gain access.

As shown in Table 5.1 and Appendix 5.5, the final sample is sufficiently diverse and qualified to offer good insights into board processes in Oman. First, the sample represents all three main sectors in Oman (financial, industrial and service) with directors serving on boards in a range of companies. At the time of the interviews, eight directors were serving on boards in all three sectors, six directors were on boards in the industrial and financial sectors, two were on boards in the industrial and service sectors, five were on boards in the financial and service sectors, four were in the financial sector, eight were in the industrial sector, and one was in the service sector. Second, the directors in the sample held different types of board membership, with some being independent and others representing specific shareholders (e.g., the company or fund they worked for, other companies, government, or their own family business). Finally, the directors who were interviewed represented a broad range of expertise, career backgrounds and academic and professional qualifications. Twenty of the participants held a Master's degree, seven held a Bachelor degree, five held a Doctorate, and one had a postgraduate diploma in development planning techniques. One participant did not have a university degree. These qualifications were in different specialisations, including business administration, finance, economics, money and banking, engineering, corporate governance and agriculture. Seven participants held professional qualifications in addition to their academic qualifications such as Chartered Certified Accountant, Certified Public Accountant, Certified Compliance Officer, Chartered Financial Analyst, and Chartered for Securities and Investments. The participants held different positions and responsibilities on the board, from board chair or members to member or chair of the audit committee, nomination and remuneration committee, investment committee, executive committee, risk committee and credit committee. Length of time serving on a board varied; six participants had served on boards of directors for between five and nine years, 19 participants for between 10 and 19 years, five participants for between 20 and 29 years, and four participants had served over 30 years. All participants held high positions in their organisation(s), with the sample including chairmen, CEOs, directors general, heads of investment companies and academics.

A sample is selected using either probability or non-probability sampling techniques (Saunders et al., 2009). Probability sampling is more relevant to the quantitative approach, whereas non-probability sampling is more relevant to the qualitative approach (Cohen et al., 2018). Probability sampling utilises a form of random selection so that each unit in the population has an equal chance of being chosen. It is appropriate for studies that seek to make generalisations as the sample, and the data it generates, are regarded as representative of the entire population (Bryman and Bell, 2011; Cohen et al., 2018). Non-probability sampling, on the other hand, gathers a sample on the basis of non-random selection, meaning that some cases in the population have more chance of being selected than others (Bryman and Bell, 2011). Saunders et al. (2009) suggest that non-probability sampling is appropriate when the researcher cannot collect data from the entire population, or is not intending to make statistical inferences from the sample. Accordingly, this research employed non-probability sampling.

There are five main non-probability sampling techniques: convenient, quota, self-selection, purposive and snowball sampling. Convenient sampling involves selecting the easiest and nearest cases to serve as respondents until the desired sample size is reached (Saunders et al., 2015; Cohen et al., 2018), whilst self-selection sampling involves advertising for individuals (e.g., directors) to participate in the research, allowing relevant individuals with an interest in the issues the study is addressing to come forward and take part (Saunders et al., 2015). Quota sampling is concerned with dividing and identifying the sample into different groups (e.g., genders, nationalities, etc.) that are representative of the characteristics and proportions of the population (Saunders et al., 2015; Cohen et al., 2018). The present study employed purposive and snowball sampling as these were considered the most likely to answer the research questions. Purposive sampling enabled the researcher to choose an initial group of directors who could best address the research questions (e.g., Saunders et al., 2015; Cohen et al., 2018); that is, outside directors who had served on several boards, and who had in-depth knowledge and experience of board decision-making processes and the factors affecting these processes. In addition, it enabled the researcher to approach and select different types of outside directors, including non-executive directors who represented other individuals, companies or the government, and independent directors. This enabled the researcher to obtain a more holistic and broader understanding of board processes and the factors affecting the work of boards of directors. However, as non-executive directors can be hard to reach (Pettigrew and McNulty, 1995; Bezemer et al., 2014), the purposive sampling was supplemented by snowball sampling. The initial group of directors were identified through the researcher's network, with these participants then being invited to identify other potential candidates from their own networks (e.g., Saunders et al., 2009).

In terms of the sample size, there is no consensus among methodologists on the optimum number of qualitative interviews (e.g., Baker and Edwards, 2012). Sample size in a qualitative study depends on the nature of the research and how well the sample fits the purpose of the study (Baker and Edwards, 2012; Cohen et al., 2018); the emphasis is more on the relevance and richness of the data collected than its volume (Cohen et al., 2018). Onwuegbuzie and Leech (2007) assert that the sample should not be so large that it makes it difficult to extract rich data and conduct in-depth analysis, nor so small that it is difficult to reach saturation point (the point at which new data adds no new insights or themes) (Guest et al., 2006; Mason, 2010; Cohen et al., 2018). The sample for this study consisted of 34 outside directors serving on boards of companies listed on the MSM. This was considered adequate as it allowed the researcher to gain in-depth insights on board processes and the factors affecting them from the perceptions of a range of directors (independent and shareholder representatives). Five of these directors participated in the pilot study and the remaining 29 in the main study, with saturation point being reached after 24 interviews (e.g., Guest et al., 2006; Cohen et al., 2018). The other five directors were interviewed to confirm that there were no important information or themes still to emerge. The size of the sample is typical of qualitative research in general and board process research in particular. In his analysis of 560 interview-based qualitative PhD studies, Mason (2010) concludes that samples of 20 to 30 participants are common, whilst Bailey and Peck (2013) conducted 29 semi-structured interviews to examine board decision-making processes in their study.

5.6 Development of the Interview Guide

As noted in Section 5.4, semi-structured interviews allowed the collection of rich data to obtain an in-depth understanding of the research issues. The interview guide (see Appendix 5.6) was developed and written in English before being independently translated into Arabic by the researcher and a native Arabic-speaking academic. These two Arabic versions of the interview guide were then combined in a joint effort by the researcher and the academic to ensure that the final guide reflected the purpose of the questions as closely as possible. The interview guide consisted of an introduction and 15 questions divided into five sections. These questions were based on the findings of prior studies on board processes (e.g., Turley and Zaman, 2007; Beasley et al., 2009; Bezemer et al., 2014; Pugliese et al., 2015) and insights from social comparison theory (e.g., Festinger, 1954), persuasive arguments theory (e.g., Burnstein,and Vinokur, 1973; Burnstein and Vinokur, 1975; Burnstein et al., 1973) and power circulation theory (e.g., Ocasio, 1994; Combs et al., 2007). Each section of the interview guide sought to address specific issues.

The first section sought to obtain a brief background of the participant. Participants were asked to describe their personal and professional background and how they became board members. This was important to ensure that the sample contained the most knowledgeable and experienced directors in terms of board decision-making processes, but the question was also asked to ensure that the study covered outside directors with different backgrounds (i.e., as independents or as shareholder representatives) who would provide a range of viewpoints. The second section sought to understand the actual roles played by the board(s) of which the participant was a member. Drawing on Bailey and Peck (2013), participants were asked about the role of the board of directors and how they supported it in performing these roles. This section also helped the interviewer to understand participants' expertise and the role of board sub-committees in supporting the board of directors. The third section aimed to understand the engagements and interactions directors have in formal settings. These include the engagements and interactions among directors, and between directors, the CEO/executive team and other individuals in determining the meeting agenda, reviewing the agenda package and preparing for the meeting. Further, it sought to understand the engagements and interactions that take place in the boardroom to influence decisions in the company. The questions for this section were drawn from existing literature (Zattoni et al., 2015; Bailey and Peck, 2013; Beasley et al., 2009; Minichilli et al., 2009; Wan and Ong, 2005; Forbes and Milliken, 1999; Pelled et al., 1999; Dean and Sharfman, 1993). Drawing from Pugliese et al. (2015), Bailey and Peck (2013), Nordqvist (2005) and Westphal (1999), the fourth section asked participants questions aimed at understanding the engagements and interactions that occur outside the formal meetings and sittings and how these inform the formal processes. The final section sought to address the factors that affect board decision-making processes, as perceived by the participants. It, too, drew on existing literature (e.g., Bailey and Peck, 2013; Stevenson and Radin, 2009; Dean and Sharfman, 1993) to understand the impacts of different factors on board decision-making processes. The interview questions were subject to multiple revisions in light of the supervisory team's feedback.

5.7 Pilot Study

The pilot study was conducted after ethical approval had been granted by the university and prior to the main data collection. The main purpose of the pilot study was to test the conceptual framework and the interview questions in the context of Oman so that any practical issues could be identified and revisions made before the main study was conducted (e.g., Kim, 2011). The researcher wrote to all of the companies listed on the MSM inviting outside directors to participate, but when no responses were received, purposive and snowball sampling techniques were applied to identify potential interviewees. Seven directors were identified and agreed to take part in the research, but in the end, only two directors were available at the time of the pilot study. The researcher sent the information sheet and consent form via email to these two directors and then interviewed. They then referred the researcher to another three outside directors, who were subsequently interviewed.

The interviews, which were audio-recorded, were conducted face-to-face in August 2017. The duration of the interviews varied from 50 to 120 minutes. As shown in Table 5.1, four of the five participants held Master's degrees and served on multiple boards in companies listed on the MSM. All the participants held high positions in their organisation; one was a managing director, one a CEO, two were directors general and one the director of an investment fund. The pilot study was useful in that it enhanced the researcher’s interview and communication skills, enabling him to present himself appropriately as a researcher and in a culturally appropriate way in the interviews of the main study. The participants acknowledged the relevance of the research and conceptual framework in the Omani context and found the interview questions to be clear and comprehensive in their coverage of board decision-making processes.

Table 5.1: Background of Pilot Study Participants

	Qualifications	Length of time serving on boards	Board representation and position	Career background	No. of board memberships
Participant 1	Bachelor in Business Administration Master's in HR	16 years	Represents his family: the founder of the business Managing director	Director general in a government ministry Managing director in the private sector	3 unlisted companies, 1 company listed on MSM (financial sector)
Participant 2	MBA	10 years	Independent director	General manager at a company	2 listed companies (industrial sector)
Participant 3	MBA	14 years	Represents the fund	Head of investment directorate in a fund	2 companies listed on MSM (industrial sector), 1 unlisted company
Participant 4	Diploma in Business Administration and a Master's degree	6 years	Independent director	General manager at a company	2 companies listed on MSM (financial and industrial sectors), 1 company listed in Egypt and 2 unlisted companies in Oman and UAE
Participant 5	Bachelor in Political Science and Master's in Public Administration	12 years	Board chair Independent director	Director general for admin and finance in a government ministry CEO at a company	2 companies and 1 financial institution listed on MSM (financial and service sectors)

5.8 Data Collection

The main data collection was conducted between March and June 2018. The participation request letter, along with a supporting letter from the Capital Market Authority (CMA), was sent again to all companies listed on the MSM. This time, five companies responded, and five outside directors were identified from each company by these companies. The researcher was able to identify a further seven directors from personal visits made to 10 companies situated in Muscat and Salalah, and 12 directors were referred by the interviewees. In the end, 29 outside directors participated in the main study (these included the five directors who had been unavailable for the pilot study). All directors were contacted via telephone and given the freedom to choose the time and location of the interview so that they would have a more comfortable setting in which to answer the questions. This resulted in 20 interviews being conducted in the participant's company (15 in participants' offices and five in meeting rooms), five in coffee shops, two in restaurants, one in the researcher's office, and one in the participant's home. Twenty-five interviews were conducted in the capital city, Muscat, and four interviews were conducted in Salalah. These two cities are where most listed companies are based.

At the start of each interview, the researcher offered a brief explanation of the aim of the interview, the confidentiality and anonymity issues associated with their participation and how the data would be dealt with after the completion of the project. All interviews were audio-recorded with the written consent of participants. Participants were given the freedom to choose which language they answered the questions in, with the result that 20 interviews were conducted in English and nine in Arabic. Two interviews lasted more than two hours, 22 interviews lasted between one and two hours, and five interviews lasted less than an hour due to the interviewee's tight time schedule.

5.9 Data Analysis

Marks and Yardley (2004) suggest that the approaches most often used to analyse qualitative data are content analysis and thematic analysis. The two share common characteristics in that they both permit the researcher to search for patterns and themes, but they also differ in that content analysis enables the researcher to quantify the data by measuring the frequency of different categories and themes, whereas thematic analysis focuses more on the latent meaning of the themes within the data. Content analysis has been criticised by some for removing meaning from its context in its exclusive concentration on code frequency (Marks and Yardley, 2004). As a result, thematic analysis is the method most commonly used to analyse qualitative data (Burnard et al., 2008). This study used thematic analysis as it permitted the researcher to draw meanings from the themes that would answer the research questions. Following Braun and Clarke (2006), the thematic analysis was divided into six phases: (i) familiarisation with the data, (ii) generalisation of codes, (iii) search for themes, (iv) themes review, (v) themes definition and (vi) report production.

Phase 1: Familiarisation with the data

In order to become familiar with the data, each audio-recorded interview was transcribed by the researcher individually as soon as possible after the interview was completed, allocated a pseudonym and saved in a separate word-processed file (e.g., Braun and Clarke, 2006; Saunders et al., 2015). The transcript was then reviewed alongside the original audio recording to check for transcription accuracy (e.g., Braun and Clarke, 2006). The 20 English interview transcripts were imported into NVivo software to help organise the data and create codes, whilst the Arabic interview transcripts were analysed manually. At this stage, the researcher read each interview transcript multiple times, making notes and listening to the original audio recording as appropriate to recall the tone of the interviewee in responding to the interview questions. This stage enhanced the researcher's familiarity with the data and enabled an initial analytical engagement with the data that facilitated the creation of initial codes, as discussed below.

Phase 2: Generalisation of codes

The generalisation of codes refers to the creation of initial codes from the data. This is similar to the open coding process described by some methodologists (e.g., Corbin and Strauss, 2008; Bryman, 2012; Saunders et al., 2015). Initial coding involves examining and analysing the interview transcripts to identify and label concepts and information that can be classified into categories and assessed in relation to the research questions. The researcher created the initial codes for the English interviews using NVivo; codes for the Arabic interviews were created manually by highlighting and labelling meaningful texts (e.g., Braun and Clarke, 2006). This resulted in the creation and collation of several codes. The codes generated in the Arabic transcripts were then translated into English by a professional translator. The translated texts were then reviewed alongside the original texts in the Arabic transcripts by the researcher to check for translation accuracy.

Phase 3: Search for themes

This stage involves the categorisation of the different codes, with similar codes being combined to form candidate themes. This process is similar to axial coding (e.g., Corbin and Strauss, 2008; Bryman, 2012; Saunders et al., 2015), in which all codes are collected on a separate sheet and similar and overlapping codes are grouped together to form categories. In this study, a separate table was created for each question on the interview guide and all emerging codes, together with relevant quotations, were collected and recorded in the relevant table. This enabled the creation of an organised dataset containing similar and comparable categories, facilitating the search for potential themes and patterns (relationships).

Phase 4: Themes review

This stage is concerned with refining the candidate themes identified in the previous stage. The researcher reviewed the candidate themes and combined similar codes under different themes into major themes. Other themes were divided into separate themes as appropriate. This process of reviewing the collated codes and quotations for each theme and combining those that exhibit coherent patterns into major themes is similar to the selective coding process in which core themes are selected, compared and assessed (e.g., Strauss and Corbin, 2008; Bryman, 2012; Saunders et al., 2015). Data which was not coded in the original transcripts was also reviewed, re-coded and categorised into the new themes as appropriate. This mitigated the possibility of missing relevant and meaningful information and ensured that each major theme was accurately represented. Following Braun and Clarke (2006), unsupported (i.e., that had insufficient evidence to support them) and hard-to-classify themes were excluded.

Phase 5: Themes definition

Theme definition involves developing a meaningful story in light of the meanings revealed by the themes and the opinions and perceptions of participants. Following Braun and Clarke (2006), the identified themes were examined to identify the essence of each theme and the thematic concept it represented and assigned names accordingly. They were then organised in such a way as to allow the development of meaningful narrative accounts. This involved producing a description of what each theme revealed followed by a detailed analysis.

Phase 6: Report production

The writing up of the findings is the final stage of the thematic analysis (Braun and Clarke, 2006). In the current study, the narrative interpretation of the themes led to the development of a comprehensive and lengthy analysis. Chapter 6 and Chapter 7 therefore report only those main findings that can be related to the existing literature.

5.10 Trustworthiness in Qualitative Research

The concept of trustworthiness is used to assess the quality of qualitative research (Golafshani, 2003) in much the same way that reliability and validity are used in the quantitative approach (Healy and Perry, 2000; Denscombe, 2017). The difference reflects the fact that the purpose and aim of qualitative research differ from those of quantitative research (e.g., explaining causal relationships and generalisability vs generating understanding) (Lincoln and Guba, 1985; Golafshani, 2003), as do their ontological and epistemological assumptions (e.g., objectivity vs subjectivity). As it was important to use an assessment measure that was appropriate to the paradigm underpinning the study (Healy and Perry, 2000), trustworthiness, rather than reliability and validity, was the primary consideration when designing the research. Four key aspects of trustworthiness were considered: credibility, dependability, transferability and confirmability (e.g., Lincoln and Guba, 1985; Healy and Perry, 2000; Golafshani, 2003; Graneheim and Lundman, 2004; Denscombe, 2017).

5.10.1 Credibility

Credibility refers to the extent to which the data is accurate, the analysis processes are appropriate and the findings address the focus of the research (Lincoln and Guba, 1985; Graneheim and Lundman, 2004; Denscombe, 2017). It is similar to the concept of internal validity in the quantitative approach (Lincoln and Guba, 1985), though as Lincoln and Guba (1985) point out, internal validity cannot be proved in an absolute way in qualitative research. Consequently, the term credibility is used instead. Qualitative researcher should employ procedures to maintain and enhance the credibility of her/his findings.

In this study, a number of procedures were followed to ensure credible findings. First, the study was guided by a conceptual framework (Chapter 4) that was developed in light of the existing literature, the insights of the theories applied in the research (Chapter 3) and the Omani context (Chapter 2). This informed the interview guide, which was then pilot-tested. The pilot study enabled the researcher to develop his own understanding of the culture and context in which the main study would take place and to build trust with members of the study sample. This increased the likelihood of collecting accurate data and addressing the research questions appropriately (e.g., Lincoln and Guba, 1985). All interviews were audio-recorded and subsequently transcribed by the researcher (see Section 5.9). Those participants who accepted the researcher's invitation to read their interview transcripts confirmed that the transcripts accurately reflected their opinions, enhancing the credibility of the data (e.g., Denscombe, 2017).

The credibility of the data is also strengthened by the fact that the study sample consisted of different types of directors (independent directors, representatives of government, funds, companies, etc.) (see Section 5.5). This allowed for the triangulation of data sources in the theme creation stage (e.g., Graneheim and Lundman, 2004). These themes and interpretations formed the findings and analysis chapters, which were reviewed and discussed with supervisors and two colleagues. These dialogues provided confirmation that the analysis and interpretation were consistent with the meanings in the data (e.g., Graneheim and Lundman, 2004; Cohen et al., 2018).

5.10.2 Dependability

This aspect of trustworthiness, which is similar to the reliability criterion used in the quantitative approach, is concerned with the extent to which a study's findings can be replicated by other researchers applying the same inquiry design and processes to the same context and conditions (Lincoln and Guba, 1985; Denscombe, 2017). As Lincoln and Guba (1985) argue, the possibility of replicating the same findings depends on reality being tangible and unchanging, as assumed by the positivist paradigm (see Section 5.2.3). However, this study follows the constructivist paradigm, which assumes the existence of multiple realities; in this case, different directors construct their own realities, which may change over time in response to new developments and changes in the context and the work of boards of directors. To address this issue, data was collected at two different times: the pilot study in 2017 and the main study between March and June 2018. The findings remained consistent, enhancing the dependability of the inquiry. Lincoln and Guba (1985) argue that establishing credibility (see Section 5.10.1) and giving full details of the research process, data and analysis are enough to establish dependability. Accordingly, all data collection and analysis procedures were fully documented by the researcher. This was deemed adequate to enable the reader to assess the research process in comparison to the findings obtained.

5.10.3 Transferability

This criterion of trustworthiness is comparable to the external validity concept (generalisability) used in the quantitative approach. Generalisability is not the main concern of this research; rather, it focuses on generating an in-depth understanding of board processes and the factors affecting them in the context of Oman. However, if potential researchers are given sufficient contextual information, they may be able to infer for themselves whether the findings can be transferred (Lincoln and Guba, 1985). The responsibility of the current researcher is to provide thick description that allows others to assess the degree of fittingness (congruence and similarities) between this and other contexts and thus, the transferability of the findings to these contexts. This was done by providing contextual information regarding directors' backgrounds, and culture and corporate governance in Oman, and information about the theories and conceptual framework applied in the study.

5.10.4 Confirmability

Confirmability is similar to the concept of objectivity in the quantitative approach. Objectivity cannot extend to constructivism, which assumes that the researcher obtains knowledge about constructed realities by interacting with the research object. Since the influence of the researcher's own values and biases on the findings is implicit, the concept of objectivity is replaced by confirmability in qualitative research. Confirmability is concerned with whether the characteristics of the data are confirmable (Lincoln and Guba, 1985).

Whilst the researcher acknowledges the value-laden nature of this research, a number of steps were taken in the data collection and analysis stages to control and mitigate any impact his own values might have on the results. First, in the data analysis, equal consideration was given to all of the opinions provided by participants (e.g., Denscombe, 2017). Second, the analysis and interpretation were supported with verbatim quotations from directors (see Chapter 6 and Chapter 7). Third, all stages of the analysis process (see Section 5.9) were recorded in the final report. Indeed, the final thesis sets out all the research steps undertaken, from the formulation of the research questions to the reporting of the findings, building confirmability through the audit trail (e.g., Lincoln and Guba, 1985).

5.11 Ethical Considerations

This research was conducted in accordance with Nottingham Trent University's Ethical Guidelines. Ethical approval was obtained from the university prior to data collection, and consent was secured from the participants prior to the interviews. All participants were provided with an information sheet that introduced the researcher, his funder and supervisors, and the university where this research has been conducted. The sheet clearly explained the purpose of the study and provided information about the interview and how the data would be dealt with after the interview and at the end of the study project. The participants' information sheet offered anonymity and confidentiality, and explained that participation was entirely voluntary. Accordingly, the interview guide did not ask participants for their names or about confidential company information or affairs. Further, participants were given the freedom to refuse to answer any question that they were not comfortable with or to withdraw from the interview at any point.

Permission to record the interview session and write notes was secured from participants before starting the interview. The process of data transcription and analysis was also explained to participants to further reassure them of the absolute confidentiality of their information and identity. Pseudonyms were assigned to participants in the transcripts and analysis, as they will be in any publication coming from this project, to ensure that no-one will be able to trace individual participants. All interview tapes were kept in a password protected voice recorder, and the voice recorder and transcripts were stored in the researcher's locked cabinet at Nottingham Trent University. At the end of the research project, the audio-recorded data will be destroyed and only the anonymised data will be kept for further research or publications. Finally, each participant was given a unique code number, known only to him and the researcher, which could be used to contact the researcher after the interview or to request the destruction of the information provided during the interview. Participants were told they did not have to offer any reasons for this request.

5.12 Summary

This chapter has discussed the main research paradigms, philosophical assumptions and approaches underpinning research. It has also discussed the main research methods and interviews techniques employed in research. It has explained the rationales for choosing the constructivist paradigm, inductive approach, qualitative method and semi-structured interviews to address the research questions outlined in Chapter 1. Further, it has discussed probability and non-probability sampling techniques and justified the selection of purposive and snowball sampling in the study. Is has also explained that thematic analysis was chosen over content analysis, and that the analytical process followed Braun and Clarke's (2006) analysis phases. Finally, the chapter has discussed the procedures that were applied to ensure that the study findings are trustworthy and that the work conforms to ethical guidelines.

Chapter 6
Findings and Discussion: Board Processes

6.1 Introduction

The preceding chapter described the methodology that this research employed to address the research questions. This chapter analyses and discusses the study's findings regarding board decision-making processes in companies listed on the Muscat Securities Market (MSM). Section 6.2 presents and discusses the findings on agenda setting, including the formal and informal interactions that take place between the board of directors, the CEO/executive team and other constituents, and who has the most influence. Section 6.3 presents and discusses the findings on board sub-committees' formal and informal interactions with the CEO/executive team and other relevant individuals, after which Section 6.4 presents and discusses the findings on board information review and preparation. Section 6.5 explores the political processes by which board directors and the CEO/executive team build coalitions and influence board decisions. Section 6.6 reports and discusses the findings on the implications of board preparation and informal processes for board interactions and decisions in formal meetings. This section also explores where informal processes occur. Section 6.7 explores and discusses the engagements and interactions that occur during the deliberation of issues in the boardroom. Finally, Section 6.8 provides a summary of the main findings.

6.2 Agenda Setting

One of the research questions this study aims to address is the examination of board decision-making processes in Oman, including the agenda process. In reporting the findings relating to agenda processes, this section is divided into three sub-sections. The first focuses on the role of the board of directors in influencing the agenda-setting process, the second focuses on the role of major shareholders in this process, and the third explores how the CEO/executive team influence and test agenda items via informal processes with board directors.

6.2.1 Board of Directors and the Agenda-Setting Process

When participants were asked who determines the board agenda in their company, they echoed the literature (e.g., Lorsch and Young, 1990; Peebles, 2010) in suggesting that meeting agendas are mainly driven by the CEO/executive team. This was highlighted by several interviewees:

> *"Mostly the executive management are the ones who create the agenda topics that we discuss."* (Hashim)

However, a number of participants pointed out that whilst the agenda might be created by the CEO/executive team, it is subject to board chair consideration and approval. This was confirmed by several highly experienced board chairs; according to one interviewee,

> *"It is always the case that discussions take place between the CEO and his staff, and he proposes an agenda to the chairman and they then agree on the agenda."* (Yunus)

Similar comments were offered by other participants (see Appendix 6.2.1a). This finding is consistent with Roberts (2002) and Bailey and Peck (2013), who argue that board chairs have an input into the development of board agendas with CEOs, and with Lorsch and Young (1990), Haniffa and Cooke (2002) and Jizi et al. (2014), who note the importance of an independent board leadership structure in mitigating CEO/executive team dominance of the agenda-setting process.

Participants were also asked about the role of outside directors in agenda setting. All the interviewees asserted that outside directors (other than just the chair) have the opportunity to influence agenda items that have been initiated by the CEO/executive team or to create new agenda items before or during the meeting (see Appendix 6.2.1b). Thus, according to one interviewee,

> *"The agenda is circulated to the board. If they [outside directors] have any additional items or deletions or suggestions or proposals, they will initiate it and later the revised agenda is circulated for confirmation."* (Khalid)

The findings suggest that the agenda-setting process is also determined by direct informal engagements between individual outside directors and the CEO/executive team. One interviewee described how one such interaction led to his suggestion being taken up by the CEO/executive team and made part of the next agenda.

> *"I contacted the director general to raise an issue about the [a name of country] market under the current circumstances, and whether it might be a possible option. This was brought to the board agenda by the management and the decision was taken at board level."* (Talal)

Opportunities to influence the agenda are afforded to outside directors in the board meeting itself via any other business. As multiple directors noted (see Appendix 6.2.1b), additional items can be added at the meeting if directors are of the view that an important issue has arisen since the agenda was approved.

> *"If any director has a matter that needs to be put in the agenda, he tells the chairman before or at the meeting itself. This is what we do with the permission of the chairman and he can't refuse because it is minuted."* (Yasir)

These findings are consistent with the observations of Huse et al. (2005) that outside directors initiate agenda items in meetings, whilst Parker (2007b) describes how informal interactions between directors and the CEO/executive team trigger directors to initiate business proposals. On the other hand, the findings contradict Peebles' (2010) suggestion that outside (independent) directors play an insignificant role in forming and influencing board meeting agendas.

Some important agenda items, such as merger and acquisition proposals, are initiated by outside directors but not disclosed to the CEO/executive team until they have been discussed informally among themselves. This is to avoid creating concern in the CEO/executive team that might adversely affect their performance, and thus the company's performance. Merger and acquisition proposals are also discussed informally at first because (i) the board of directors is obliged by the Capital Market Authority (CMA) to announce them to the public once they reach the boardroom, and (ii) directors may want to build a majority or consensus before this stage (Ravasi and Zattoni, 2006). This was explained by one interviewee thus:

"Directors have to have consensus or majority building before we even bring them [proposals on merger and acquisition] to the table because we are then supposed to announce it. According to the CMA rules, anything major is supposed to be announced...... We also don't know what the ultimate result will be. Will we take over the company? Will we get new management? We don't want to harm our own company. We don't want the management to wind down or lose motivation. So, we leave it outside until we progress further."(Yasir)

Another interviewee noted that such proposals can lead to sensitive conversations, some of which may be better held outside the formal board meeting.

"We had a proposal to buy a company in a different country and I didn't believe the CEO could manage a company there. In the meeting, the CEO sat beside me, and I didn't want to discuss this in front of him. So, we discussed it outside." (Adil)

6.2.2 Role of Major Shareholders in the Board Agenda-Setting Process

One feature of outside directors' interaction with the agenda-setting process is the influence of major shareholders. The interview results demonstrate that major shareholders interact with their representative(s) on the board to initiate board agenda items. One interviewee, an outside director who represented his family's interests, explained that

"Sometimes major shareholders ask their representative to put a matter in the agenda and discuss it." (Issam)

These outside directors engage with other board directors and the CEO/executive team to raise the issue and initiate the formal process for getting it onto the board agenda. As one interviewee (a board chair) was at pains to explain, at this point, the director 'takes ownership' of the proposed agenda item:

> *"Of course, of course, because many times the representatives will also have the same concerns as the shareholders. But it would definitely be at their own discretion. I mean, it will not become an agenda item that comes from shareholders. It would be the director's initiative."* (Naif)

Another explained how a proposal might originate with a major shareholder:

> *"Sometimes shareholders see a good business and then tell the directors, for example, 'We have three factories here; why should we not buy one factory in the Emirates and merge it with our factory and make our company bigger or merge our company with another company in Oman?'"* (Adil)

The process through which the shareholder's suggestion passes from the outside director, to the CEO/executive team and then to the board was described as follows:

> *"Most mergers and acquisitions come from the shareholders; they talk outside, 'How about merging the two companies or buying the brokerage house or the factory?' Then that will be discussed in the presence of the representatives. Then the management's role is to bring the proposal and do the due diligence and the board will study it and reach a decision through the normal compliance processes."* (Zakaryia)

Similar stories were told by many other participants (see Appendix 6.2.2), suggesting that major shareholders regularly engage in board agenda formation and can influence the matters that are deliberated in the boardroom through the directors they appoint to represent them. The finding that outside directors and board chairs alike saw major shareholders as having a big impact on board agendas is inconsistent with Peebles (2010), who found this to be true for CEOs and outside directors but not board chairs. The difference may be due to differences in the ownership structure between Oman and New Zealand, where Peebles (2010) conducted his study. As discussed in Chapters 1 and 2, ownership in Oman is closely held by families, the government (Elghuweel et al., 2017; Omran et al., 2008), and there is a high level of nepotism (Kragh, 2012). The fact that major shareholders can nominate relatives as directors means they can easily engage through their representatives to influence board agendas.

6.2.3 Control of the Agenda-Setting Process by the CEO/Executive Team

An interesting feature of engagements within the agenda-setting process is that the initiation of informal interactions, as discussed above, is not one-directional (i.e., from outside directors to the CEO/executive team); several interviewees pointed out that the CEO/executive team also initiate informal interactions, for example, to test whether an idea or proposal is likely to be accepted by the board if it is raised formally and to explain important issues prior to the formal meeting.

> *"In typical financial implications decisions and proposals, I receive a call or a visit from the CEO or somebody from the management and giving me an overall idea of the project. They also do this with other directors. Then, we will put it on the agenda."* (Majid)

These CEO/executive team-initiated informal interactions with the board are designed to pave the way for the CEO/executive team to influence agenda issues and obtain board approval.

The finding supports those of previous studies (e.g., McNulty and Pettigrew, 1999; Ravasi and Zattoni, 2006; Parker, 2007a; Parker, 2007b) showing that the CEO/executive team engage informally with outside directors to deliberate on strategic issues and to consult on and test business proposals before presenting them formally in the boardroom. It also supports social comparison theory's assumption (Festinger, 1954) that the CEO/executive team share their proposals and ideas with outside directors to see how they compare with these directors' views. In this context, the CEO/executive team view outside directors as important decision makers whose views must be taken into account if proposals are to be approved by the board. This is important to ensure control for two reasons. First, it enables outside directors to shape CEO/executive team agendas before they are raised formally with the rest of the board. Second, it may reduce board interaction with the CEO/executive team in the boardroom and facilitate board consensus on CEO/executive team strategy and proposals.

Taken together, these findings show that outside directors in Oman play an active role in determining the matters to be deliberated in the boardroom, with individual directors initiating important agenda issues of their own (e.g., regarding strategic and investment matters) and exerting significant influence over the CEO/executive team's agenda issues. This engagement with the agenda process is sometimes influenced by major shareholders.

6.3 Engagement and Interaction in Board Sub-Committees

The previous section explores how individual directors engage with others to create and influence board meeting agendas. This section (see also Appendix 6.3) focuses on the formal and informal interactions of board sub-committee members (e.g., audit committee, nomination and remuneration committee, executive committee, investment committee, risk committee, credit committee) and how they support the board in performing its roles. Interviews were conducted with the chairs and members of a range of board sub-committees (see Appendix 5.3).

As shown by Conyon and Peck (1998), Gendron and Bédard (2006) and Hermanson et al. (2012), the various board sub-committees engage and interact formally with the CEO/executive team in their respective meetings. Thus:

> *"We in the nomination and remuneration committee discuss HR issues. There will be discussion with the HR head. Submissions from the HR head come to me as the head of the nomination and remuneration committee."* (Imad)

Several interviewees highlighted the role of sub-committees as intermediaries between CEO/executive team and the board; for example, one explained that

> *"The executive committee will raise issues. We will see the issues the management is bringing, then discuss with them, then will recommend it to go to the board. We are like an intermediary between the board and the management. We are also like an investment team for the company if they have an initiative to expand operations. We study it first. We might recommend that*

> *this is taken to the board, yes, we like it, the rest of the board should look at it. Or we tell the management no go back, work on it more."* (Hamden)

Similarly, according to another,

> *"As an investment committee, we discuss our business items with the CEO and I talk to the CEO and say, 'I will put this up to the board for approval, so yeah now we've got this, this and this."* (Yasir)

The findings suggest that the formal interactions between board sub-committees and the CEO/executive team are crucial in enabling these committees to put forward recommendations and determine what needs to be raised with the board of directors. However, the findings also echo Veliyath et al. (2016) and Hermanson et al. (2012) in showing the key role played by informal engagements and interactions between sub-committees and key executives and employees. One interviewee explained that

> *"I'm also chairperson of the credit committee and risk committee at different boards, so I need to talk with the credit and risk management [team] so that I understand what is going on. So, there are always unofficial and unscheduled contacts to get updates on what is going on within the company."* (Haitham)

These interactions are vital in ensuring that executives provide regular reports and updates to the relevant committee.

The interviewees also described informal interactions taking place between sub-committee chairs and the board chair, as observed by Hermanson et al. (2012). These interactions allow committee chairs to update the board chair on the outcomes and challenges of their work, as explained by this interviewee:

> *"I always communicate with the chair of the board and keep him abreast of the items discussed and also the challenges encountered. I also let him know about any recommendations and seek his opinion about discussing them in the board meeting or whether he has got any suggestions."* (Talal)

This result demonstrates that the informal interactions between committee chairs and board chairs may lead to the creation of a board agenda item.

The audit committee's role requires it to interact formally with both internal and external auditors. Describing this role, one interviewee explained that

> *"The audit committee reviews the financials on a quarterly basis. They discuss with the internal auditor. They discuss with the external auditor also. They will also recommend to the board."* (Hamdan)

However, the interviewees noted that audit committee members may also interact informally with the internal auditors, especially if fraud or manipulation are suspected within the company. One audit committee chair explained that

> *"It happened in one of the companies where I was head of the audit committee. The internal auditor told me, 'Look, I want to sit with you without the committee and the presence of the management to discuss something. I discovered that the CEO is a thief.'"* (Issa)

Audit committee members and internal auditors may also follow up formal presentations of the audit report or plan with informal interactions that allow the two sides to ask for or give further clarification and to discuss differences of opinion.

"We were not happy with how the internal auditor presented the plan for covering departments in the next quarter and we gave comments. We felt there was more risk here and we had that debate. Then he came to each audit committee member individually to explain his view, and he knew then what we were looking for." (Hamed)

The findings support those of Beasley et al. (2009), Turley and Zaman (2007) and Gendron and Bédard (2006), all of whom demonstrate that audit committees and auditors interact both formally and informally. Turley and Zaman (2007) and Gendron and Bédard (2006) also describe informal interactions as being used to report and discuss instances of fraud and manipulation and to obtain clarification of auditors' reports and work. Like Turley and Zaman (2007) and Beasley et al. (2009), the findings demonstrate the role of the audit committee in monitoring the CEO/executive team, and like Gendron and Bédard (2006) and Turley and Zaman (2007), they highlight the importance of informal processes in enabling the committee to perform this role effectively.

Taken together, the findings suggest that board sub-committees in Oman actively engage both formally and informally with the CEO/executive team and other important constituents, and that in these interactions, they influence and contribute to CEO/executive team proposals and issues. The formal and informal engagements and interactions between board chair, committee chairs, committee members, CEO/executive team, relevant employees, and auditors lead to inputs and recommendations that help boards to perform their roles and make decisions in the boardroom.

6.4 Board Information Review and Preparation

The previous sections demonstrate the formal and informal engagements and interactions between directors, and between boards of directors and other important constituents, that lead to the creation of board meeting agendas. These agendas and the relevant supporting documents and information are submitted to the board secretary to prepare the agenda and information package for the formal meeting. This section explores the processes by which boards prepare for these meetings. It starts by exploring the extent to which board directors review the information submitted to them by the CEO/executive team and reporting the findings regarding outside directors' engagements with the CEO/executive team after reviewing the information package. The second sub-section reports the findings regarding the external information sources that outside directors use to collect information, including their engagement with external constituents. The third sub-section reports the findings on outside directors' engagement with one another.

6.4.1 Board Information Review and Engagement with the CEO/Executive Team

When participants were asked whether they examine the information provided by the CEO/executive team before formal meetings, the results indicated that individual directors vary in the attention they give to this information, as argued by Forbes and Milliken (1999) and Zhu et al. (2016). Ten participants (34.5%) claimed to serve on boards of directors where all or most directors carefully review the agenda and information package; according to one of the 10,

"Yes, all members of the board of directors review the documents." (Hashim)

However, another conceded that

> *"It's clear that a few directors don't do their homework and prepare, but take it easy. They just sit there without knowing what these issues are. So, we have mainly serious people…. and a few who are likely to be taking it easy and not doing their homework properly."* (Ali)

Thirteen participants (44.8%) stated that their boards have some directors who attend meetings prepared and some who do not, whilst six participants (20.7%) stated that most of the directors on their board do not review the agenda and information package and attend meetings unprepared.

> *"Most board members review it during the meeting itself. They don't review it before. Sometimes even a simple thing they don't look at it."* (Ibrahim)

One interviewee explained that

> *"It depends. It depends…. We cannot have seven or nine or eight members all being active."* (Yahya)

Sections 6.2.1 and 6.2.2 demonstrate that outside directors actively initiate and influence agenda items, but the above quotes show that this does not necessarily mean that they actively review the agenda package. A number of interviewees identified reasons why outside directors do not review the information package sent to them prior to meetings such as the busy schedules of these directors and the complexity and amount of information in the package:

> *"They are too busy. They are also directors of other listed and unlisted companies. Or, it's too complicated for them to read."* (Zakaryia)

The point was also made that directors are not always given sufficient time to review the package thoroughly.

> *"The regulations say that the information must be in the hands of directors a certain number of days ahead of the meeting. Sometimes it's a challenge to comply with this, so directors don't manage to read it."* (Khalid)

The results contradict Huse et al.'s (2005) finding that all directors devote considerable time to reviewing documents, but instead support the arguments of Lorsch and Young (1990), Zhu et al. (2016) and Carpenter and Westphal (2001) that outside directors, especially those who serve on multiple boards, tend to be too busy to devote sufficient time to examining business issues.

The results are also consistent with Finkelstein and Mooney's (2003) suggestion that the late submission of the package sometimes prevents directors from reviewing it properly, but whereas Finkelstein and Mooney (2003) argue that outside directors generally accept the CEO/executive team's opinion in these circumstances, the current findings indicate that directors are more likely to postpone decisions until they have had the chance to discuss the issue more comprehensively.

> *"But in some cases, management provide the pack at the last minute. So, they don't expect us to add a lot. So, most items will get postponed to the next meeting."* (Issam)

Participants were also asked whether they collect additional information to that submitted by the CEO/executive team in the package. The evidence demonstrates that directors who examine and review the agenda and information package often seek further information and clarification from the CEO/executive team.

> *"For example, some items might have a calculation in their presentation which is not clear to us. So, we ask the management to explain how they arrived at this analysis or evaluation."* (Hamed)

This engagement with the team is done formally via email or the board's iPad software, with the response being delivered during the formal meeting.

> *"I sometimes send an official email and say, 'This is my opinion about this, or this is not clear. Please clarify.' Or, 'This information is missing. I want it.' So, I clarify my opinion and then in the meeting, the management will come and say, 'Okay, Mr. [Faisal] has raised this. This is our answer or clarification or this is the document which was not there.'"* (Faisal)

Alternatively, the request for information may be routed through the board secretary.

> *"Sometimes if it's not easy to understand, I contact the secretary. It's more convenient because CEOs are very busy."* (Naif)

Similar comments were made by other participants (see Appendix 6.4.1a). This result is consistent with Finkelstein and Mooney's (2003) evidence that outside directors may formally request additional information from the CEO/executive team about agenda issues, and with Roberts et al.'s (2005) argument that directors interact with the CEO/executive team to enhance their understanding of company business.

McNulty and Pettigrew's (1999) interview finding that directors also interact informally with the CEO/executive team for clarification purposes was supported by seven participants (24.1%). These interviewees explained that directors in their companies engage informally with the CEO/executive team to obtain an understanding of company operations and business in general and clarification and explanation of agenda issues in particular. One interviewee highlighted the importance of these informal interactions in facilitating his understanding of the company:

> *"When I joined these businesses initially, I had one-on-one sessions with the management. I sat a day with the CEO, the CFO, the head of operations to understand the business and help me make decisions. By just attending a board meeting, I cannot understand the operation and the business."* (Hamdan)

The general view was that these informal interactions with company executives and staff allow directors to gain a sound grasp of underlying detail and objectives in preparation for the formal meeting.

> *"I call the CEO or Operations Manager if I receive a new proposal from them or something is new to me, 'Can you visit me in my office?' And he explains to me in advance [of the meeting]. I need to understand what is behind this. What is the objective? Why, why, why? Justifications."* (Imad)

The participants' responses (see also Appendices 6.4.1a and 6.4.1b) provide support for Huse et al.'s (2005) argument that formal and informal board engagements with the CEO/executive team bridge the knowledge gap between the two sides. Informal processes are important in enhancing directors' understanding of company and agenda issues so that they can engage effectively in board interactions and deliberations in the boardroom. The findings also suggest that outside directors request information and clarification not just from top executives, but also on occasion from middle managers (e.g., operations managers). This is different from the findings of previous board process studies (Roberts et al., 2005; McNulty and Pettigrew, 1999), which mainly demonstrate interactions taking place between outside directors and the CEO/executive team.

6.4.2 Collection of Additional Information from Outside Sources

Asked whether they undertake their own information gathering from sources other than the agenda and information package, seven (24.1%) interviewees stated that the information they get from the CEO/executive team, board sub-committees, internal auditors and consultants should be sufficient for them to make decisions. The view among these interviewees was that it is the collective responsibility of the board to ensure that this information is adequate, if necessary, by commissioning CEO/executive team, auditors or outside consultants to undertake the necessary investigation.

> *"We tell the executive management that we need a full study on a certain subject. Or when we make decisions related to the evaluation of the internal control system, we wait for an outside service provider that we hire to give a report. If we want to know the status of a certain area, we ask the internal auditor to give us a report and give it to the audit committee with all the details. We ask, nothing is done individually."* (Hashim)

In contrast, 22 participants (75.8%) stated that directors in their boards do their own research and educate themselves. This is consistent with Zhu et al. (2016), who argue that outside directors engage in their own research, and Rutherford and Buchholtz (2007) and Rutherford et al. (2007), who demonstrate that information gathering is a key process by which directors perform their role and constrain CEO behaviour.

The evidence from this study extends the board process literature (e.g., Zhu et al., 2016; Rutherford and Buchholtz, 2007; Rutherford et al., 2007) by identifying the various information sources that outside directors use to enhance their understanding and to assess both CEO/executive team performance and the viability of agenda items (e.g., proposals and potential investments). These sources include financial and analysts' reports, financial ratios, market intelligence sources, international financial institutions and academic institutions, as highlighted by the following interviewees:

> *"We as directors sometimes use reports from the media: financial reports and ratios or from the TV or radio. It can also be reports that come from analysts. It could be an international report issued by a multinational organisation such as the IMF or the World Bank."* (Ali)

> *"I go mostly to the Harvard Business Review just to make sure that information is there; it receives a lot of careful citation and support."* (Naif)

Directors may also turn to individuals in their personal or business networks who have the relevant experience or knowledge without sharing with them confidential and sensitive information about the issue and the relevant company.

> *"We do what we call market intelligence information. But sometimes we use our contacts in the market. We also contact our friends who are already in this type of business."* (Khalid)

> *"All members are in prestigious positions and have the right personnel. I have people who are competent in human resources, executive management, and financial management. I consult with them in total confidentiality regarding certain subjects. I do not address any subject in detail or disclose it refers to which company."* (Fahad)

Similar comments about outside sources of information were made by many other directors (see Appendix 6.4.2).

The findings demonstrate that in the boardroom, directors use this information in a number of ways (see Appendix 6.4.2). As one interviewee put it:

"I should be able to understand the industry, not all of it, but at least certain things to support my discussion and decision." (Yahya)

However, another interviewee was at pains to point out that it also benefits the board as a whole if directors are able to use this knowledge to help and guide others.

> *"It is not to challenge others or expose their weaknesses as much as to provide guidance and contribute with my knowledge and information to help other members understand the tasks at hand."* (Talal)

They may also use it to challenge or guide the CEO/executive team in its handling of issues.

> *"I asked people I know who are making a similar investment or proposal about their views and how they are doing it. A friend told me, 'We have come through the same investment or proposal and we have learned these lessons, so be careful in these aspects.' So, he fed me his experience in that particular similar proposal. Then I ask questions to management, 'What if these things happened, how you would mitigate the risk?'"* (Imad)

Aguilera (2005) suggests that outside directors are entirely dependent on the CEO/executive team for the provision of information. In contrast, the findings of this study demonstrate that whilst the CEO/executive team are indeed the board's main information provider, directors also draw on other sources of information to build their knowledge of company issues.

6.4.3 Interactions Between Individual Directors

The data collected for this study indicates that directors do not just interact with the CEO/executive team and their friends and employees to collect information and prepare for meetings; once they have received the agenda and information package, they also interact with one other to share their own views and find out what other directors think. The interviewees suggested that they are especially likely to interact informally if they are uncertain whether to support or reject a proposal. According to one interviewee,

> *"We usually share opinions on areas of concern before the board of directors [meeting] to understand others' opinions. There is an open dialogue. Sometimes I receive a proposal. I'm a little bit between the yes and the no, and another board member will probably enlighten my thoughts, so I will come and say, 'Did you see the proposal? I do not think that's right because I have seen a similar thing on the board in another company and they are facing problems with this business. What do you think?'"* (Zakaryia)

Others explained that exchanging views with other directors, especially those with relevant knowledge, helps them clarify their own opinions before the formal board meeting:

> *"We know who is active and who has knowledge and I select them to discuss what we receive and ask about their views and I share my view with them."* (Imad)

The finding appears to support social comparison theory's assumption that the pre-meeting interactions of outside directors are designed to allow them to evaluate their own views against those of their peers before sharing them formally.

Directors also engage with each other between formal meetings to discuss CEO/executive team performance. Several interviewees described informal deliberations between directors as focusing on CEO/executive team performance:

> *"I had noticed that the performance of the financial manager was shaky or lacklustre, so I talked with another member, 'Do you think we should make a decision or raise the red flag and take action accordingly?' I also discussed this with the head of the audit committee to get a second opinion because he is better equipped to assess the performance of the financial manager."* (Talal)

The potential power of these conversations was highlighted in one interviewee's observation that they can play a significant part in the removal of senior executives.

> *"When the performance goes out of line, or it is judged to be so and there is a general feeling that a CEO is not performing and achieving, outside discussions happen; they led to the kicking out the CEO in one of the companies I am in."* (Yunus)

The comments suggest that some outside directors monitor the performance of senior executives other than the CEO such as the financial manager. Although this is often considered part of the CEO's role and responsibilities, in Oman, this is within the scope of the board, which is charged with ensuring the efficiency and adequacy of internal control systems across all divisions of the company, including financial management (see Oman Code, 2016). However, another possible explanation is the prevalence of closely held companies in Oman that may offer outside directors who represent large shareholding the power to engage in such issues.

6.5 Political Processes

The findings and discussion hitherto have focused on formal and informal preparation processes. This section focuses on political processes. As suggested by the literature (McNulty and Pettigrew, 1996; Ravasi and Zattoni, 2006; Grethe Solberg, 2006; Parker, 2007a; Bailey and Peck, 2013) and power circulation theory (Combs et al., 2007; Ocasio, 1994), the findings demonstrate that informal interactions among outside directors, and between them and CEOs/executive teams, do not occur just for the sake of efficient preparation and sharing views, but also for the purpose of lobbying and building coalitions to influence decision making.

These coalitions may seek to exercise a positive or negative influence. On the one hand, one highly experienced board chair described engaging informally with outside directors to create a coalition to fairly remunerate the CEO/executive team for their performance:

> *"I wanted to show my appreciation of my management and CEO in that company and I wanted to suggest a bonus for them based on the feedback I have got from them and the interests of the company. I called my colleagues whom I trust and align myself with and I told them, 'I need your support.' I also spoke to so-and-so, 'Can you please help me and speak to the other directors?' I have done it with one so we are two now. He will do it with another one so we will become three. I will do it with the fourth, they become four. Four out of seven then we have got the majority, done, great."* (Majid)

On the other hand, directors may create a coalition with the purpose of thwarting the CEO/executive team's influence.

> *"Some members are against the management, so they meet informally just to emphasise their opinion and influence other members' position against the management. It happens a lot."* (Ibrahim)

Directors may also interact outside the boardroom to build coalitions and lobby for a particular decision either to serve their own interests, or to prevent other directors from serving theirs. Thus, one interviewee explained that

> *"If I have a vision that I know other members will say no to, I will try to lobby for it. I will go to the board members that I know are with me. In the end, this is life"* (Issa)

whilst another asserted that

> *"It is only fair that I call somebody a day before the meeting and tell him, 'Have you seen this subject in the agenda? You do not know that so-and-so has an interest in such-and-such company. This is as I am telling you, so if you do not know this, I have now explained it to you, so if you believe our interests are aligned, please, tomorrow, do not support it.'"* (Majid)

Other examples of coalition building were identified among CEOs/executive teams and independent or particularly influential directors. Several interviewees explained that CEOs/executive teams pursue these coalitions when they know that they face opposition from certain directors on the board, and that they target the most powerful directors to ensure that

> *"…when the subject is discussed, [the board] support it"* (Faisal)

Conversely, one interviewee suggested that this policy does not always work, explaining that in his company,

> *"The strong group is against [the management]. The weak group will be with the management, and then they go to the board, but they cannot have any effect on the decision. But they will always be with the management."* (Ameen)

Other comments on the coalition-building interactions between board directors and CEOs/executive teams, and among directors, are presented in Appendix 6.5.

The findings provide support for power circulation theory's assumption (Ocasio, 1994; Combs et al., 2007) that power moves between coalitions and individuals and makes it difficult for any one group to maintain its influence over decision making. The finding that CEOs/executive teams seek out powerful directors when they want to influence a board decision supports Maitlis's (2004) conclusion that these teams are more likely to build strong ties with influential directors and to collaborate with them in developing proposals, determining which issues are given the greatest weight, and securing board consent. It also supports Huse and Grethe Solberg's (2006) finding concerning the importance of directors building coalitions with their most influential colleagues to influence board decisions, and Stevenson and Radin's (2009) concerning the importance of directors developing ties with other directors to increase their influence on the board.

6.6 Implications of Board Preparations and Informal Processes for Board Formal Processes

The board preparation and political processes discussed in Sections 6.4 and 6.5 largely take place outside formal meetings. This section focuses on the implications of informal processes for board processes in formal meetings. The section is divided into two sub-sections: the first reports the findings on the implications of board preparation for engagements and interactions in formal meetings, whilst the second explores how informal processes inform these formal engagements and interactions.

6.6.1 Implications of Board Preparation for Formal Meeting Processes

The data obtained in this study gives an insight into the implications for board interactions and discussion of directors attending formal meetings unprepared. For example, the interviewees drew a clear link between preparation and directorial influence in board deliberation and decision making. According to one interviewee,

> *"If a director doesn't read, he will be weak even if he has experience because he cannot have experience in all areas. So, others who read will be stronger. They will have a view and drag the director who did not read towards that view."* (Rami)

One interviewee went further, suggesting that lack of preparation not only makes it easier for others to sway directors towards their side of the argument, but that some unprepared directors will be won over by whichever side puts on the best show.

> *"Sometimes the management support a board member's objection on an issue, and the unprepared directors see it makes sense, and they will support it. If*

somebody objects or disagrees with a proposal and they feel that it makes sense, they support it. I call them the fans. They love to see a good match and they will support whoever wins." (Zakaryia)

The result echoes Huse and Grethe Solberg's (2006) finding that better-prepared directors have more influence on decision making. The above quotes show that unprepared directors are likely to be influenced by the opinions of directors who are well prepared and therefore in a better position to challenge the opinions of other directors and the CEO/executive team. This provides support for persuasive arguments theory's assumption that directors ultimately tend to support the most compelling and informative argument presented to them.

Another implication of preparation is that it facilitates quicker decision making. Several interviewees noted that directors who attend meetings unprepared are more likely to interrupt CEO/executive team presentations because they need more explanation of the agenda items, with the result that the meeting lasts longer and the decision-making process may need to be postponed. As one interviewee pointed out, this can have ramifications not only for the board's decision making but also the running of the company:

"We sometimes see that a member is completely unaware of the subject or the decision to be taken, which disrupts the work of the board. We often end up having to take a decision, but because others do not read or lack understanding of the topic under discussion, it may take several meetings to make a decision, which affects the process of running the day-to-day operations in the company." (Talal)

The findings echo Machold and Farquhar (2013) in showing the danger of making the boardroom the main arena for information dissemination by the CEO/executive team; a process that may already be excessively time-consuming may be made even more so by the interruptions of unprepared directors, preventing the board from engaging effectively in strategic issues. Informal processes arguably offer an effective forum for the CEO/executive team to disseminate additional information to the board.

Careful preparation and review of the information package in advance of the formal meeting was seen by the interviewees as enhancing the interactions and deliberations in the boardroom and facilitating effective board decision making (see Appendix 6.6.1). One interviewee asserted that

> *"It makes the meeting go smoothly if members come prepared. Management views are very clear to us and we can have a productive discussion in the meeting."* (Hamed)

Another noted the importance of preparation in ensuring that directors are able to reach the right decision:

> *"When I'm prepared, I can give my feedback and whatever decision I make it will be the right decision."* (Rami)

The results echo the empirical literature on the effect of effort norms on board role performance (e.g., Wan and Ong, 2005; Zona and Zattoni, 2007; Minichilli et al., 2009; Zattoni et al., 2015) by demonstrating the significant positive effect of board preparation on the board's advisory and monitoring interactions with the CEO/executive team. More broadly, they support Finkelstein and Mooney (2003), Huse (2004), Forbes and Milliken (1999), Bettinelli (2011) and Zhu et al. (2016) in highlighting the importance of directors' information review and preparation to their ability to participate in the boardroom generally and in decision making in particular.

6.6.2 Informal Processes and their Implications for Formal Processes and Decision Making

This sub-section goes beyond the impact of director preparation on decision-making processes to report the findings on the implications of informal processes in general for directors' interactions and deliberations in formal meetings. The sub-section begins by identifying the main places in which directors discuss agenda and company issues outside formal meetings, before reporting the findings on informal processes and their implications.

When participants were asked where informal interactions take place, they echoed the literature by mentioning directors' homes (Nordqvist, 2012), break times (Huse and Grethe Solberg, 2005) and telephone calls (McNulty and Pettigrew, 1999). Other places that were mentioned included coffee shops, shareholders' offices, directors' offices, CEO/executive team offices, and before or during formal meetings, or indeed anywhere that directors bump into each other.

> *"We cannot control it. It's informal, so somebody meets me in the road. Somebody gets into my office, some side talks in meetings."* (Faisal)

> *"It could be in shareholders' offices, coffee shops and company and management offices. I have also seen a few meetings where we discussed some company things while we were relaxing at directors' homes."* (Ibrahim)

Asked how these informal engagements and interactions inform the formal processes in the boardroom (see also Appendix 6.6.2), interviewees suggested that they enable directors to get to know each other better; that is, to understand what their fellow directors believe and think, and what drives their decision to invest in the company.

> *"Meeting outside helps members, not only for the business, but also to understand a director's beliefs and ethics. What does he want? What is his vision? What is his objective? What does he want out of the company? So that we can see it and work together. It's like a way of getting to know each other so they know me more and I know them more, and then we can work together."* (Haitham)

This mutual understanding develops board communication, enhancing participation and deliberation among directors and fostering cohesiveness across the board as a whole.

> *"Communication is very important between members inside and outside the board. Members have to understand each other very well, so they can know how to communicate with one another. Communication cannot be only in the board because someone that I don't know, I will be careful when talking and dealing with him. I will not be relaxed; [the board] will be like a set of components, not one team. Directors have to get comfortable with one another to deliver."* (Ameen)

The results are consistent with Parker's (2007b) suggestion that the informal social gatherings that take place after board meetings facilitate effective board functioning and cohesion.

The findings also demonstrate that directors' informal engagements and interactions facilitate a more coordinated approach when it comes to challenging CEO/executive team proposals in the boardroom. As one interviewee explained, directors' discussions prior to the meeting mean that they are able to present a united front and find a way of rejecting a proposal they consider unfeasible:

> *"Our management wanted to make an investment, but they did not have the know-how or the capability or experience to manage it. We discussed it outside and in our opinion the CEO could not do it, but we did not want to say to his face, 'You will fail.' So, in the meeting we told him, 'Thank you very much, it's a good opportunity but we believe it's not the time for it.'"* (Adil)

In other words, informal processes may serve as a forum for deliberating sensitive issues where open discussion in the boardroom would be likely to have adverse consequences for the relationship between the board of directors and the CEO/executive team.

The evidence also demonstrates that where informal interactions prior to the formal meeting establish that all directors or most agree on an issue, it is likely to be quicker and easier to convince the remaining directors and reach consensus in the boardroom:

> *"We go to the meeting comfortably if I prepare the whole seven directors or the majority. So, when I come to the meeting, I do minimum explanation and discussion and I finish it in two minutes."* (Majid)

However, five participants (17.2%) asserted that this kind of informal lobbying does not always lead to directors changing their position; as one interviewee put it:

> *"It doesn't mean if we go and have lunch together that it is finished – whatever that director tells me, I approve it. No."* (Haitham)

This supports power circulation theory's assumption that powerful coalitions struggle to maintain their power and exert influence over decisions. This finding suggests that the extent to which these political processes influence board decision making depends on how successful individual or groups of directors are in persuading others informally to reach an agreement before the formal meeting.

The above discussion highlights a number of positive impacts that informal processes can have on formal board processes. However, the findings suggest that informal processes can also have an adverse influence, for example, if they are used politically to mobilise directors' opinions in support of certain vested interests. As one interviewee explained, this can lead to a shift in the direction of the company that is not necessarily in its best interest:

> *"Outside discussions between directors and the companies and government institutions they represent fall in the negative side of outside discussions. They prioritise their interests at the expense of those of the institution."* (Fahad)

The evidence suggests that informal interactions between groups of directors can create suspicion and alienation among those who are not included in these interactions, particularly if the issue being discussed is important and the matter has not been discussed with all directors.

> *"In one of the boards, whenever we meet, I hear the chairman say to one member, 'As we met late last night, yes, ok, we approve.' Then I stood up. I said, 'Now either we discuss this matter in full here, or otherwise I'm resigning. I*

cannot continue and I will write the reason.' He said, 'Why you are angry?' I said, 'I have a responsibility here. I'm representing someone. I cannot accept this kind of business. Either the matter is opened and you say what you were discussing last night about our board, or I will leave it.'" (Ameen)

This interviewee's reference to a sense of imbalance within the board, and the anger expressed by him, highlight the danger of affective conflicts emerging in boards where some directors feel that they are being ignored or marginalised by the other directors.

On the whole, the findings suggest that informal processes are a double-edged sword that can either positively or negatively influence the formal processes and work of the board of directors. They are seen as offering an important forum for directors to prepare, clarify and gather further information from the CEO/executive team on agenda issues in particular and company business and operations in general. As long as they are deployed in the interests of the company, they enhance board coordination and deliberation and thus decision-making processes. Director-initiated informal processes can make it easier for the board to reach a consensus or a majority decision in the formal meeting. However, they can adversely influence board performance and effectiveness if they are used politically to build coalitions against the CEO/executive team or a particular director or to lobby for a particular vested interest.

6.7 Board Meetings

Having reported the findings on the processes by which boards of directors set the agenda, prepare for meetings and build coalitions, this section focuses on board engagements and interactions in formal meetings. It is divided into four sub-sections: the first focuses on how boards conduct meetings and the nature of the matters discussed; the second focuses on board interactions; the third focuses on participation;

and the fourth reports the findings on how boards make decisions in the context of different views and conflict.

6.7.1 Conduct of Board Meetings and the Nature of Board Matters

In line with the findings of Bezemer et al. (2014) and Pugliese et al. (2015), the data collected for this study demonstrates that board meetings generally follow the standard pattern outlined by this interviewee:

> *"The chairman in the beginning welcomes people and makes sure that the quorum is there and reads the agenda and sees if everybody is okay with the agenda or needs to add any other matters. Then he approves the agenda. Then the CEO presents the aim of the items, what they are about, and the pros and cons and a dialogue happens. We start with the last minutes and then we continue with the agenda items in order."* (Zakaryia)

The interaction between CEO/executive team and directors generally begins with a presentation and boards in Oman have the flexibility to request presentations from a range of individuals:

> *"We sometimes say, 'Fine Mr. CEO, we would like Mr. CFO, Mr. HR Manager or the HR team, Mr COO to come and present their proposals and issues in the meeting.'"* (Imad)

This was echoed by other participants (see Appendix 6.7.1a). The finding is in line with observations by Pugliese et al. (2015) and Huse et al. (2005) that the CEO/executive team present agenda issues and proposals in formal meetings, but it suggests that presentations are also made by middle managers; the board may interact with a range of managers, including the chief financial officer (CFO), chief operating officer (COO), strategy manager and human resources manager (HRM), in relation to the agenda items.

When participants were asked what sort of matters their boards normally deal with, they mentioned strategic, monitoring and operational issues. The finding that directors play advisory and monitoring roles confirms those of multiple studies (Barroso-Castro et al., 2017; Zhu et al., 2016; Minichilli et al., 2009; Minichilli et al., 2012; Zona and Zattoni, 2007; Wan and Ong, 2005). In terms of its advisory role, a number of participants (see Appendix 6.7.1b) explained that the board engages with the CEO/executive team to discuss strategic issues. For example, one interviewee explained that

> *"Yesterday, the company signed a deal in [another country] to supply transformers to the value of [millions riyal Omani]. That deal, we have done it above the 80% tender policy that we usually allow the management to do. So, the board has to sit and decide why we need to supply it at this: why at a lower price? This is what we call a market strategic entry."* (Haitham)

Strategy deliberations will often involve discussion of CEO/executive team investment and business proposals and their associated risk. According to one highly experienced board chair,

> *"Decisions on capital investments are among the issues discussed in the board. The CEO's business plan requires more discussion because in his business plan he may propose to build a new facility, or to acquire more resources like boats for Topaz or see big opportunities in Yemen, Iran and Saudi Arabia. We have*

to discuss these opportunities a little bit more; whether politically and in the long term they are good." (Yunus)

As argued by Huse et al. (2005), Hendry et al. (2010) and Nordqvist (2012), formal discussions about company strategy may also take place away from the boardroom entirely; one interviewee described how

"Board and management go to a hotel and stay together to look at the big picture and the strategy of the company." (Adil)

The finding supports both resource dependency theory (Hillman and Dalziel, 2003; Pfeffer and Salancik, 1978; Hung, 1998) and stewardship theory (Sundaramurthy and Lewis, 2003; Davis et al., 1997; Donaldson and Davis, 1991), which perceive the role of the board as being to assist the CEO/executive team with company strategy and to provide advice and resources by drawing on its experience and expertise. The finding is also consistent with those of McNulty and Pettigrew (1996), McNulty and Pettigrew (1999), Huse et al. (2005), Parker (2007a), Hendry et al. (2010), Machold and Farquhar (2013) and Bailey and Peck (2013), all of whom demonstrate board engagements and interactions in the advisory role.

Once the strategy and business proposals have been discussed and approved by the board of directors, its focus shifts to monitoring the CEO/executive team's implementation of these proposals.

"What happened to the strategic items that were decided at board level? Are we on track with our strategy? For example, we are expecting to have a particular market share. Did we achieve this?" (Hamed)

Just as the board may periodically meet away from the company to deliberate strategy issues, it may also hold formal meetings outside the company to review the CEO/executive team's implementation of this strategy. These meetings may just involve directors, as explained by one interviewee:

> *"Between the directors themselves, we meet every six months or at least once a year spending one night in a hotel, and directors talk about the strategy of the company, what we have achieved, what we have not achieved."* (Adil)

Or the formal review may involve both the shareholders representatives and the CEO/executive team.

> *"We go with our investment company team and meet the management of the companies that we have a large stake in at least twice a year. We ask detailed questions about what the management is achieving and this could mean going sometimes line by line through the financial statements where they are deviating from the business plan. The meeting usually takes two hours. The CEO is there. Sometimes we call the CFO and the business guys and from our view we give feedback on how the other players are doing."* (Hamed)

Further comments on board engagement in the monitoring role are presented in Appendix 6.7.1c. These quotes show that boards of directors engage not only in strategy formulation, but also in monitoring the CEO/executive team to ensure that the strategic goals are achieved. This is consistent with agency theory (Jensen and Meckling, 1976; Jensen, 1993) and stewardship theory (Hung, 1998; Donaldson, 1996; Davis et al., 1997; Donaldson and Davis, 1991), both of which perceive the board as important in ensuring the effective implementation of strategy, and with Parker (2008) and Hendry et al. (2010), who demonstrate that boards monitor a company's strategic progress.

The findings demonstrate that (see also Appendix 6.7.1d) boards also use formal meetings to discuss matters related to the CEO/executive team and company operations. As highlighted by McNulty and Pettigrew (1996) and Parker (2008), this includes the appointment, appraisal and incentivisation of the CEO/executive team. Thus, the interviewees explained that

> *"The major issue that is discussed [in the meeting] is the appointment of a CEO and his evaluation every year because he is the key. Also, we discuss the KPIs and remuneration for the management."* (Yunus)

Further, in line with the findings of Parker (2007a) and Hendry et al. (2010) concerning the engagement of boards of directors in company operational issues, the evidence points to boards occasionally deliberating matters such as operational costs and expenses. For example:

> *"We want to reduce costs in some areas. Sometimes we have high costs in some areas or a lot of human resources that we don't need there. So, we need to discuss the costs in these places and how to cut those costs; we are now discussing technological enhancement in these areas to reduce costs."* (Rami)

When participants were asked which matters have the greatest impact on board discussions, nine (31%) echoed Pugliese et al. (2015) in saying that board discussions are most intense when dealing with strategic issues such as potential investments or mergers and acquisitions.

> *"A company presented an offer to merge with us. This is a disastrous decision, meaning that we cannot make it in one board sitting and say yes, we agree to merge, or no! There was more discussion and a roadmap. What advantages will we get? What are the positives and the negatives? What would happen to the current shareholders? etc. There is a lot to go through."* (Hashim)

Another interviewee distinguished between these complex deliberations and the relatively straightforward discussions that take place about the financial accounts:

> *"If we are debating the accounts of the company, these are audited and very routine agenda item that prompts a standard type of discussion. We don't expect such matters to take a long time to discuss. And there are those issues which are strategic in nature – we want to explore new markets, we want to explore new opportunities – these we discuss deeply."* (Ali)

The process described above is similar to the vigorous debates and analysis of strategic alternatives that Bailey and Peck (2013) describe as characteristic of engaged boards.

Other matters that may produce intense board discussion, according to the findings, are the external environment and challenges surrounding the company (noted by seven (24.1%) of participants) and perceived conflicts of interest. The impact of environmental turbulence on board discussion was illustrated by one interviewee thus:

> *"We are a big supplier of chlorine and industrial chemicals to the oil and gas industry and we were affected recently by the downturn in oil prices. Our customers asked us to renegotiate the price. We cannot tell them no. They will go to the next guy. We can literally see the business performance dipping, so there was a lot of debate, how are we going to do this and go forward? So we*

discuss how much of a hit we can take to keep our client? How can we control and manage the hit?" (Hamdan)

Another highlighted the impact of different directors having different interests and the potential this has to stoke intense disagreement within the board, especially when environmental conditions are uncertain.

"If people have different agendas, yes, there will be differences. These days, business is very poor, and liquidity and cash is very less in the banks and hands of people. So, when it comes to dividends, views vary from one person and another. People who want to keep the company strong will fight to keep every penny for the company, but others who need cash try to take the most they can out of it." (Ameen)

The finding appears to support Bezemer et al.'s (2014) conclusion that environmental disruption and threat issues intensify board deliberation and interaction.

To sum up, the findings demonstrate that board meetings tend to follow a standard pattern of formal opening by the board chair followed by presentations from the relevant executives and interactions between the board and company's executives and employees (e.g., CEO, CFO, COO, HRM). Matters deliberated span from the strategic (e.g., acquisitions, mergers, investments), monitoring and follow-up (e.g., CEO/executive team achievement of strategic objectives), matters related to the CEO/executive team (e.g., CEO/executive team appointment, appraisal and remuneration) to operational issues (e.g., company expenses and costs). Deliberations tend to be more intense when the board is dealing with strategic issues, environmental challenges or vested interests.

6.7.2 Board Interactions in Formal Meetings

The previous section having considered what kind of matters are discussed in the formal meetings, this section focuses on board interactions and dynamics in these meetings. The section is divided into three sub-sections: the first explores the findings on the interactions between outside directors and the CEO/executive team; the second reports the findings on the interactions among outside directors; and the third reports the findings on board interactions with other constituents.

6.7.2.1 Interactions Between Outside Directors and the CEO/Executive Team

When participants were asked what role, if any, the CEO/executive team play in boardroom deliberation, several (see Appendix 6.7.2.1a) explained that the team are most likely to be summoned so that directors can ask them questions. According to one interviewee,

> *"We ask questions to the management to understand what does it mean and how we can help the management as a board. It's more to support the management rather than just questioning them."* (Haitham)

The interaction thus becomes a two-way exchange in which CEO/executive team gives information and directors are able to draw on their own expertise to offer useful guidance. As one board chair summarised it,

> *"The experience of board members sheds more light into understanding the challenges, opportunities, threats and competition surrounding a proposed project, issue or item. This allows us to contribute and direct the management of the company to achieve the set business strategy, allowing the management to design and execute issues and proposals correctly."* (Naif)

This finding supports McNulty and Pettigrew (1996) and Roberts et al. (2005), who found that directors question the CEO/executive team to obtain more explanation, and Machold and Farquhar (2013), who show the board as providing advice. The finding that the questioning interaction is stimulated by an information imbalance between the two sides supports Brennan et al.'s (2016) argument that information asymmetry is important in driving more meaningful board interactions with the CEO/executive team that assist it in performing its role effectively.

The findings demonstrate that the questioning interaction can sometimes become more challenging in nature if the board has reservations about one of the CEO/executive team's proposals. One interviewee offered the following example:

> *"The management came to us and said, 'We want to tender above 80%'. We challenged the management, 'We are already working at full capacity so how can you produce more transformers? Do you need to invest more? Do you need to buy new warehouses? Do you need to change something on our transformer design? Maybe [another country] wanted something between, for example, Mercedes and BMW. Can you do it? How? Do you have the people to do it?'"* (Haitham)

Again, the board will draw on its own collective experience when challenging the CEO/executive team.

> *"Once management give their opinion or their recommendation, we challenge them in the boardroom on their recommendation. I mean, if this recommendation is right, we say right, if it is wrong, we say wrong and we go through the subject itself in a very detailed way. It all depends on the experience*

> *of the board members. Some members have the right experience to challenge the management team."* (Ibrahim)

Similar comments were echoed by other participants (see Appendix 6.7.2.1b). These findings are in line with literature. Forbes and Milliken (1999) and Brennan et al. (2016) also suggest challenging interactions taking place between the board of directors and the CEO/executive team, whilst Roberts et al. (2005) describe the challenging process as one of the most efficient processes by which boards achieve their roles. These authors add that the advice and challenge interactions are most effective when directors have the relevant knowledge and experience.

A different type of questioning might take place if the board of directors wants to understand why specific targets have not been met. In this case, the board may assume an investigative role, and the role of the CEO/executive team will be to justify and explain the company's actual outcomes. One very experienced interviewee, who was both a CEO and an outside director in different companies, explained that this might simply be a matter of updating the board on changes in the internal or external environment:

> *"We have agreed on something. Why is the management deviating? The CEO tells us, 'Yes, when we discussed this earlier, these were the parameters. Now because time has lapsed, etc.' So, some updated information is needed to explain why the assumption has changed."* (Imad)

Conversely, one interviewee highlighted that an investigation can sometimes be triggered if outcomes are better than expected:

"Sometimes I ask management, 'You are performing very well, 20% up, why? I need to understand. All this time you've been holding yourself back, or did something change in the market? Tell me why you significantly dropped your expenditure suddenly. What did you do?' So, to understand if he was wasting money beforehand. This gives me more explanation from the management." (Hamdan)

The result echoes Brundin and Nordqvist (2008), who observed that boards often adopt a questioning/investigative approach with CEOs in the event of bad news, and Forbes and Milliken (1999), who argue that CEO/executive teams explain and justify company outcomes. However, eight (27.6%) participants in the current study argued that CEO/executive teams also interact with boards to share and defend their own views. One described the CEO in his company as being given an equal opportunity to express his opinions on the matter at hand:

"Normally, anything that comes to the board has to be filtered through the CEO. The board debates and then after hearing the members' views, the management and the CEO are asked to give their views. He may agree or disagree with the nature of the discussion that the board is having, and if there is disagreement, he will say, 'Ok, this is my recommendation.'" (Ali)

One interviewee suggested that in the event of disagreement, the board will listen to and may even be persuaded by the CEO's argument:

"The CEO has a full right to agree or disagree with the board's view. If he makes a convincing argument, we go with him. If the management doesn't have it, we put up a barrier." (Faisal)

However, as the above comment indicates, the board may choose to reject these opinions and recommendations. Indeed, one interviewee described the board in his company as being deeply resistant to any arguments offered by the executive team:

> *"Management sometimes tries to challenge the board and defend its recommendations, but it never succeeds."* (Issam)

Brundin and Nordqvist (2008) also demonstrate that CEOs may defend their position during interactions with the board of directors, whilst Huse et al. (2005) observe that these interactions often end in rejection.

Like the board as a whole, the board chair interacts with the CEO/executive team concerning agenda issues.

> *"The chairman also listens to the management and questions them in the meeting."* (Hamdan)

6.7.2.2 Interactions Among Outside Directors

The evidence demonstrates that outside directors also interact with one another in relation to the agenda issues. According to 17 participants (58.6%), these interactions generally concern the appointment, removal and incentivisation of the CEO/executive team; the current status of the market; forward-looking issues and investments; dividend distributions; and board sub-committee recommendations. On the first of these, for example, one interviewee disclosed that outside directors in his board spent several months debating how to remove underperforming managers:

> *"We felt that the management was impeding the achievement of the company's objectives. We [the directors] had several meetings within a few months to find*

an appropriate solution. The discussion taking place in the board meetings was to change the management." (Talal)

Another interviewee observed that

> *"Issues that have to do with the CEO like pay rises and incentives, the CEO will not be there with us while we are discussing it.'* (Ali)

He continued:

> "*Committees also deliberate their issues, and the chair of these committees will normally come to the board with a report saying that this is what we have discussed, and this is what we recommend. If directors have any comments, or disagreement, it will be discussed. Otherwise, it will be approved as presented."*

However, another interviewee explained that there are occasions where a committee's recommendations may be rejected:

> *"When we want to distribute dividends, it has to come from the audit committee. That's their recommendation. Sometimes we approve that, or sometimes we change it, frankly. Yesterday, we changed the audit committee recommendation, even though I sit on the audit committee, when we sit in the board, we discuss it. It took us 45 minutes and we changed the recommendation. We increased the dividends."* (Yahya)

Outside directors' interactions may also focus on larger strategic issues, such as how to respond to a turbulent environment:

> *"We are living now in a non-certain time and volatile market. So, there are many questions that we as directors try to sort out and answer in the board. Will our economy go back or forward? Do we buy equipment that will depreciate in the long term, or do we hire? Do we lend more money? Do we stick to the Omani market, or do we go out to survive? Because we don't see our market growing that much over the next five, six years."* (Yunus)

The comments of the other participants are depicted in Appendix 6.7.2.2. Board chairs also interact with other outside directors in meetings. They give advice, make comments, ask questions and take critical initiatives, such as that described by this interviewee:

> *"I organised a board meeting about this financial crisis [cash flow issue] and asked the directors to pump in more money, provide corporate guarantees to get more loans or give a 10% raise to all employees to improve their morale so productivity would go up. They said, 'No.' So I wanted to resign as chairman but stay on as a director. But they all refused. In this case, it became a bargaining chip for me. I said, 'I'll agree to come back as a chairman, but you have to agree with me to improve the overall employees' financial situation. I only need the resolution now and money can be earned later on by the employees themselves and we'll pay it in three months.' They agreed. The company was rescued because of this move and today it is one of the blue chips in the market."* (Naif)

The results suggest that outside directors interact more frequently when there are perceived problems, such as an unstable market or poor CEO/executive team performance, that are seen as having an adverse impact on company outcomes.

6.7.2.3 Board Interactions with Other Constituents

Data collected for this study demonstrates that boards of directors also interact with other constituents in the boardroom such as auditors and consultants. One board chair explained that boards interact with internal auditors to deliberate issues relating to the financial accounts of the company:

> *"When we discuss the internal audit, we sometimes feel that we need to question the internal auditors and financial manager, so we call them to attend and discuss."* (Ameen)

They also engage with internal auditors when

> *"there is a defalcation or a problem with the management."* (Yasir)

The board may also ask for explanation of the process undertaken by external auditors.

> *"At least every year external auditors come for audit and explain the process they did. The internal and external auditors highlight their issues and management leave the boardroom."* (Hamed)

As noted above, the discussion of any problems highlighted by the auditors takes place without the presence of managers.

As argued by Brennan et al. (2016), this result suggests that directors interact with internal and external auditors to obtain information beyond that produced in the CEO/executive team report.

Ten participants (34.5%) noted that a board may engage and discuss with consultants in the boardroom if it is considering embarking on a new investment in an area where it has little knowledge, so that it can better understand the challenges involved.

> *"Once we were discussing building a small cement factory…in Duqm[29]. So, we had to call an expert to come to the boardroom and tell us whether this kind of cement is approved by the Omani authority. Whether the way we want to do it is right. We don't have this experience. It's new to us, so we learn about it."* (Ameen)

A consultant can offer not only specific expertise but also a neutral perspective on the issue facing the board.

> *"There were instances in which we invited experts who can explain things to us in a more independent way."* (Ali)

This independent opinion may be particularly valuable if the board wants to assess and verify the accuracy of the information given to it by the CEO/executive team, either because of concerns about the credibility of the source:

> *"But if we have a manager who does not have much of a record for the accuracy of his information, we ask for a third-party evaluation of this information to cross-check. We would really like, before we take a decision, management information to be verified, so we give it to a third party."* (Majid)

or simply out of caution:

[29] A Special Economic Zone in Oman.

> *"On many occasions, we like to get a third-party independent opinion of any expansion or merger proposal that we find: 'Thank you very much, sir, CEO, and your team, but just to make it more comfortable, let's see a third-party opinion, independent opinion.' So, they are then invited to come and we talk."* (Imad)

Heemskerk et al. (2017) observe that directors engage with consultants to resolve disagreements between directors concerning the board's role and independence. However, the evidence from this study (see also Appendix 6.7.2.3) suggests that directors in Oman mainly interact with consultants to examine and deliberate CEO/executive information and proposals, especially if they address issues that are outside directors' experience.

Taken together, the findings suggest that how the board of directors and CEO/executive team interact in formal meetings depends first on how knowledgeable the directors are about the issue under consideration; if this knowledge is limited, there are likely to be more questions from the board and more detailed explanations from the team to enhance board understanding. Conversely, having knowledgeable directors on the board enhances its advisory and challenging interactions with the team. The nature of the interaction may also depend on the extent to which the CEO/executive team have achieved the expected outcomes; if they have been unable to do this, the interaction is more likely to be investigative on the part of the board and justificatory on the part of the team. The findings demonstrate that board directors interact with one another to deliberate issues relating to potential investments and strategy, dividend distributions, CEO/executive team appointment, performance and incentives, and sub-committee recommendations. Finally, directors interact with internal and external auditors to deliberate company financial accounts and frauds, and with consultants to assess strategic proposals and investments.

6.7.3 Level of Board Participation

When the participants were asked about the extent to which directors openly exchange their views in the boardroom, they all claimed to serve on boards in which most or all directors freely and openly exchange their views and knowledge. This echoes the observation expressed by Samra-Fredericks (2000) and Huse et al. (2005) that directors exchange knowledge and information. However, the findings also show that some directors may be deterred from participating in formal meetings. There are a number of reasons why directors may be deterred from participation.

For example, one board chair explained that some directors simply feel too shy to participate:

> *"We do have one who does not really participate, and I think it's just because he feels shy. So I, as chairman, try to engage him more."* (Khalid)

Another interviewee explained that one reason for this reticence is the fear among some directors that their English is not good enough to join in with the discussion:

> *"Most of the directors' discussions are in English, and sometimes they are quiet because of the language. They feel shy."* (Imad)

Piekkari et al. (2015) also point to the problems that can arise if English is adopted as the language for boardroom deliberations and lack of proficiency prevents some directors from being able to contribute to discussions or articulate their disagreement.

Another board chair explained that directors may choose to take a back seat in a discussion if it touches upon matters in which they have a personal interest:

> *"Directors will share everything they know unless they are related to the matter. If there is any personal interest, they will hold back. But mostly they give their full knowledge."* (Ameen)

The findings suggest that in discussions about major issues (e.g. the provision of additional capital, investments and expansions, selling of company assets), some outside directors hold back not because they are reticent but because they cannot take a position without first consulting the major shareholders they represent.

> *"I am a government representative. When there was an expansion proposal, I had to discuss it with [the Ministry] and find out their view. I also represent a family company. I have to discuss any proposal with them because the owner of that seat is not me. It's the company."* (Imad)

This result suggests that directors exchange their views not only on the basis of their own knowledge and opinion, but also in light of the interests of the shareholders they represent. This is in line with Zona's (2015) argument that directors apply their information to protect their own interests, and with Bailey and Peck's (2013) finding that some directors align their interactions with the interests of particular shareholders. This arguably makes disagreements more likely as directors representing different shareholder interests adopt competing positions.

6.7.4 Board Decision Making

This section focuses on understanding how board decision making reflects the different views expressed by directors and what processes they implement to resolve conflicts and significant disagreements. It is divided into two sub-sections. The first reports the findings on board decision making in the context of directors holding different views. The second explores the processes by which boards resolve conflicts and significant disagreements.

6.7.4.1 Board Decisions in the Context of Directors Holding Different Views

As demonstrated in the previous section, some directors will actively participate in board deliberations to defend their shareholders' interests. As a result, a range of views may be expressed during the discussion. When participants were asked how board decision making reflects the different opinions shared in the board meeting, they identified a number of ways in which boards reach a decision in this context.

Five participants (17.25%) explained that decisions generally follow the opinion of whoever is most knowledgeable about the agenda item. According to one interviewee,

> *"It depends on the experience and background of members. Members with relevant experience are better equipped to convince other members of their opinion and influence the decision-making process by presenting a more convincing logic."* (Naif)

This involves recognising the expertise of others and being willing to defer to this expertise as appropriate.

"Everyone contributes to and tackles the issues that he knows most about to add value to the board. If there is a technical decision and the engineer guy supports it, I as a financial guy support it as well. He is the expert guy and gives the best judgment in all decisions in his area." (Haitham)

The result echoes Bezemer et al. (2014) in showing that directors' dominance over and input into board deliberations and interactions vary depending on their level of acquaintance with the agenda item being considered. It is also consistent with social comparison theory's assumptions (Festinger, 1954; Brown, 2000) (i) that directors compare their ability with that of their peers to determine where they stand within the board, and (ii) that this process will culminate in less experienced directors acknowledging the superiority of their more knowledgeable colleagues, giving the latter greater influence over decision making. Similar comments were offered by other participants (see Appendix 6.7.4.1a). Like He and Huang (2011), the interviewees saw this directorial deference to another's competence as facilitating board interactions, deliberation and decision making. Unlike Huse et al. (2005), however, they saw interaction skills as more important in influencing others' opinions than knowledge and expertise.

Five participants (17.25%) asserted that a decision is ultimately reached in the boardroom by convincing others to arrive at a consensus. Those with a strongly held view, argued one interviewee, may have an advantage when it comes to persuading others:

"It's just a matter of those who have a strong opinion naturally put their views forward strongly, and then they sell it better, and then others possibly get convinced." (Khalid)

Once a majority of directors have been won over, persuading the minority becomes easier:

> *"Members of the board explain their views. For example, if we are five or six members, and the majority agree on a certain decision, mostly the other members will be convinced if they are the minority. At the end, the minority get convinced. In the boards I am on, we never took a decision that any single director expressed reservations about. We try to convince and reach a consensus through convincing others."* (Hashim)

The importance of reaching a unanimous decision was also emphasised by the following interviewee, who explained that, if necessary, the process will be allowed to run over to the next meeting:

> *"It can't end up with disagreement, we need to agree at the end and most of the time we change other opinions or they change my opinion to come up with approval. A lot of times when we haven't reached an agreement, it will be shifted to the next meeting. We've got to convince the others."* (Yahya)

Bailey and Peck (2013) also demonstrate that some boards will deliberate an issue for as long as necessary until a consensus is reached. However, the evidence from this study shows that this process may be abbreviated if directors who hold a minority view are reluctant to stand out from the majority. Five participants (17.25%) suggested that directors sometimes change their opinions without persuasion when they realise that most of their colleagues intend to go to in one direction. According to one interviewee,

> *"Sometimes a member will test the waters to identify those in favour and those against. If that member finds himself in a minority, then he goes with the majority perhaps so that he is not seen as opposing the mainstream."* (Fahad)

This result (see Appendix 6.7.4.1a) supports social comparison theory's notion that the minority group will change their opinion to that supported by the majority in order to maintain uniformity in group decision making (Festinger, 1954) or to avoid appearing socially undesirable within the group (Sanders and Baron, 1977). Inconsistent with social comparison theory, however, is the finding that directors may sometimes refuse to accept the opinion of the majority, particularly if the issue is important or has far-reaching consequences. For example, one interviewee explained that he

> *"... suggested adding a stock loss policy to our capital market investment. None of the other members seem interested or engaged with the idea, but I insisted on raising the issue in every single meeting."* (Fahad)

Ten participants (34.5%) (see Appendix 6.7.4.1b) claimed that in this context, boards of directors will consider the opinion of the majority but note the reservations and opinions of dissenting directors in the meeting minutes.

> *"It happened that the board decided to go for a new project and one member rejected it and noted his reservation, 'This is going to happen... Don't go.' The others said, 'No, we will go for it.' Because of his reservation, shareholders' questions will go to the others who support it, if it fails."* (Faisal)

The finding confirms Bailey and Peck's (2013) observation that some boards make decisions based on the majority opinion.

Eight participants (27.6%) (see Appendix 6.7.4.1c) explained that directors in their boards support their opinions with evidence and arguments, and that decisions tend to follow the best argument presented in the boardroom. As one interviewee put it,

> *"The final opinion has to be backed by evidence. Directors will express their feelings, but the feeling does not actually count. A feeling without backup figures is nothing. They will just keep talking, but in the end, if a director has backup figures, that will count."* (Ameen)

Another gave examples from their own experience:

> *"I had to fight seriously with the board of directors…. I look at it from the point of view of how it will benefit the community and shareholders. Others see it from the point of view of capital adequacy, and nobody is wrong. Both are right. But the one who can offer figures and consequences will win, and I won this fight."* (Zakaryia)

This finding is consistent with the prediction of persuasive arguments theory (Burnstein et al., 1973; Burnstein and Vinokur, 1973; Burnstein and Vinokur, 1975) that board discussions induce the exchange of new information among directors as they each seek to support their views. This enables directors to assess the merits of these various arguments and to make a decision on the basis of which is the most persuasive. Those directors who can support their views with valid information and evidence are likely to be the most convincing and therefore to have the greatest influence on the final board decision.

6.7.4.2 Board Processes for Resolving Conflicts and Significant Disagreements

When participants were asked about the route they follow to resolve significant disagreement and conflict among directors, eight (27.6%) explained that (see also Appendix 6.7.4.2a) disputes and misunderstandings occurring within the formal meeting are often addressed in informal interactions outside.

> *"If there are disputes, these issues are raised and discussed among members outside for the purpose of bringing the views closer in the meeting to sort out the differences and ensure the views are as compatible as possible."* (Suliman)

These outside interactions tend to be initiated by the board chair, sometimes at the request of the CEO.

> *"If the chairman believes the interactions in the boardroom are not right, he calls for an unofficial meeting. He sees every board member on all sides. Sometimes the CEO speaks with the chairman and tells him, 'Board members are calling me, telling me to do this, do that, and things are tense with the board.' So the chairman will call members and say, 'Let's meet for dinner and have a chat.'"* (Adil)

Alternatively, the CEO her/himself may seek out dissenting directors to explain their position.

> *"Sometimes when we have a misunderstanding, I [the chair] have to go and talk [to directors] informally to better understand their views in a quieter environment and clear it up. Sometimes the CEO will try to clarify issues and go to directors who have a different view."* (Khalid)

The finding supports Van Ees et al. (2009), who argue that directors engage in political bargaining to achieve cooperation between coalitions, and Ravasi and Zattoni (2006) and Stevenson and Radin (2009), who suggest that this bargaining allows them to forge a compromise between divergent interests.

Within the formal meeting, the most common way forward in case of disagreement is to hold a vote. Seven participants (see Appendix 6.7.4.2b) described voting as the final recourse when some directors prove impossible to persuade.

> *"Some directors want to squeeze the company just like a cow. They want to milk it all the time and if we keep doing that without feeding the cow, it means the cow will die soon. Why do they put their money here if they want to kill the cow? So, we'll go gradually. First, convincing them and if that doesn't work, we have to vote for it."* (Ameen)

The interviewees saw the board chair as having an important role to play in managing boardroom disagreements which, left unresolved, can turn into affective conflicts with the potential to adversely impact company performance.

> *"I have seen in my life where the chair does not do his part to engage [people] in the best way, and it can even end up in the closure of the company. But if the company does not close, the fight continues in every meeting and sometimes people unfortunately take things too personally. And if it is a family corporation and they own a good stake, that fight will continue forever."* (Majid)

As one board chair explained, dissenting directors must not be left to feel that they have been disregarded or marginalised. He, too, warned of the danger of disagreements turning into personal conflicts and frictions which can hinder the work of both the board of directors and the CEO/executive team:

> *"Some members felt very strongly about certain issues. A member wanted the management and the board to consider some issues, but the majority did not agree with him on these issues and therefore the views of that member were not accepted. He was fighting for it. I, as chairman, need to make sure that the member who disagrees with that decision does not feel that he is being ignored and this shouldn't be taken on a personal level so that there is no friction; that's why you may find different opinions that cannot be reconciled, and that will impact the performance of the company and the executive management."* (Ali)

The result supports Wan and Ong's (2005) finding that affective conflicts have an adverse impact on board role performance, suggesting that this can, in turn, damage company performance. It underlines the importance of the board chair in maintaining a constructive tone and board cohesiveness.

If conflicts and disagreements arise on issues such as mergers and acquisitions and financing decisions, resolving these disagreements is likely to be beyond the remit of the board alone. At this point, shareholders tend to become engaged in the process, deciding the issue directly:

> *"We had a merger proposal from two financial entities. There were lots of opinions, debates, and shareholders' interests mixed with personal interests. So complicated. Despite lots of money being spent, studies being done – years of work – the matter went to an EGM and was voted on and the decision was made to call off the merger."* (Zakaryia)

One interviewee explained that a dispute arising from a conflict of interests among shareholders may result in the shareholder exiting from the company with which they are in dispute:

> *"One of the shareholders who had the major stake was against expanding to a new business line because it will impact his other business in the same field. In the end, we took the decision to actually exit the investment and as directors we went back to our shareholders and said that it's very difficult to continue in this investment because of the conflict that we see with one of the shareholders with his other portfolio company."* (Hamed)

To sum up, the findings support social comparison theory by indicating that directors may be guided towards a decision by their most knowledgeable colleagues, or that they may go along with the majority opinion in order to avoid looking divergent. However, they contradict social comparison theory's assumption that directors will always seek uniformity and consensus by highlighting instances where dissenting directors did not change their opinion and insisted on having their reservation noted in the board minutes. Supporting persuasive arguments theory, the findings show that in defending their opinions, directors bring a range of arguments and information to the board that enable it to make a more informed decision. Where significant conflicts emerge in the formal meetings, directors tend to resort to informal bargaining processes to reach a compromise or, if this fails, a vote is held. The evidence demonstrates the important role of the board chair in bringing different opinions and interests together to reach a decision. Major shareholders get involved only to resolve disagreements about issues that are beyond the remit of the board, such as mergers, acquisitions and the provision of capital and financing.

6.8 Summary

This chapter has explored and discussed the study findings regarding board engagements and interactions in terms of agenda setting, information review and preparation, and decision making in formal meetings.

The evidence supports a number of previous studies (e.g., McNulty and Pettigrew, 1999; Ravasi and Zattoni, 2006; Parker, 2007a; Parker, 2007b) in showing that directors often deal with significant agenda items (e.g., mergers, acquisitions) by first building a majority or consensus among themselves and with major shareholders before addressing them in the formal meeting with the CEO/executive team. Major shareholders often initiate agenda items informally by approaching their representatives on the board, whilst the CEO/executive team often interact informally with directors to test ideas and proposals and lay a groundwork of understanding before initiating a formal agenda item.

As for board sub-committees, the findings again support the literature (e.g., Beasley et al., 2009; Turley and Zaman, 2007; Gendron and Bédard, 2006; Veliyath et al., 2016; Hermanson et al., 2012; Conyon and Peck, 1998) in showing that board sub-committees actively engage both formally and informally with the CEO/executive team and other relevant individuals (e.g., auditors) to address company issues and perform their roles.

Consistent with the findings of McNulty and Pettigrew (1999), Finkelstein and Mooney (2003) and Roberts et al. (2005), the evidence demonstrates that directors who review the information package may engage and interact formally with the CEO/executive team to request further information or consolidate their understanding.

They may also interact informally with the CEO/executive team to request clarification and additional information, as well as conducting their own research (as argued by Zhu et al. (2016)), using the internet, the media, analysts' reports, reports by international financial institutions, market intelligence and their personal and professional networks. Directors may interact with one another informally to deliberate and test their opinions concerning CEO/executive team issues (supporting social comparison theory). However, some of these interactions may also be designed to create coalitions to influence decision making (supporting power circulation theory). These coalitions may be formed to further the interests of the company or to further directors' own interests.

Informal interactions inform boardroom interactions and deliberation in different ways. First, they enhance directors' knowledge and understanding of the agenda issues and of each other, facilitating board harmony and cohesiveness and consequently, decision making. Second, they allow directors to coordinate better and to share their views and arguments more freely. They make it easier to discuss sensitive CEO/executive team proposals and issues in the boardroom in a way that promotes challenging interactions without triggering affective conflict. Third, informal interactions between directors foster board consensus if all or most directors are in agreement. By contrast, informal processes may reduce board efficiency and performance and create friction if they are used to build a coalition against the CEO/executive team or other directors for personal gain.

The findings suggest that interactions in the boardroom are dynamic, multi-dimensional and complex. Consistent with the literature (Brennan et al., 2016; Pugliese et al., 2015; Machold and Farquhar, 2013; Brundin and Nordqvist, 2008; Roberts et al., 2005; Huse et al., 2005; Forbes and Milliken, 1999; McNulty and Pettigrew, 1996), the evidence illustrates a range of interactions taking place in the boardroom between directors and the CEO/executive team. For example, directors may question the CEO/executive team to obtain a better understanding of the issue under consideration, to which the latter will respond with explanation and clarification. On other occasions, directors may interrogate the CEO/executive team about the reasons why they have not achieved the stipulated targets, in which case the response will be explanation and justification. Other interactions may take the form of directors advising or challenging the team and the latter defending their position and opinion.

The analysis concludes that, although CEOs/executive teams generally take the main role in determining board agendas, it appears from the findings that they do not dominate the issues discussed in the boardroom. Most directors prepare for board meetings by formally and informally interacting with the CEO/executive team and with other directors, and by conducting research and accessing the knowledge and experience of colleagues and acquaintances. These informal processes are considered particularly important in enabling directors to obtain in-depth clarification of agenda issues and company information so that interaction in the boardroom can be more efficient and focused. However, the fact that they may also be used to create coalitions for political purposes means that they are seen as a double-edged sword; they have the potential to enhance or inhibit board deliberation and efficiency, depending on their underlying purpose and the level of goodwill guiding their originator.

Chapter 7

Findings and Discussion: Factors Affecting Board Processes in Oman

7.1 Introduction

The previous chapter explored and discussed the board's engagements and interactions prior to and during board meetings. This chapter provides further understanding by exploring the factors that affect board decision-making processes. Section 7.2 focuses on the factors facilitate formal and informal processes, whilst Section 7.3 and Section 7.4 report the findings on the impact of the relationships between directors and the relationship between directors and the CEO/executive team respectively. Section 7.5 explores the influence of power on board processes and Section 7.6 reports the findings on the influence of Omani culture. Finally, Section 7.7 summarises the findings of the chapter.

7.2 Factors Facilitating Formal and Informal Processes

Participants were asked about the factors that influence board formal and informal processes in Oman. In terms of informal processes, the findings reveal that informal engagements and interactions among directors are often facilitated by existing social ties, vested interests or directors' awareness of the limitations of their own knowledge. The role played by social ties was highlighted by a number of directors (see Appendix 7.2a). One explained that

> *"Some people have relationships outside the board. Sometimes there is friendship. If I or any director in general have a strong relationship with somebody, we sit with him more often."* (Rami)

These ties may also be familial, as explained by another interviewee:

> *"I have my brother's son in one of the boards so we used to discuss a lot before the meeting and exchange our views so that in the meeting there is synergy. We do not want to go to the meeting and we have different views."* (Adil)

The comments suggest that ownership structure (closely held by families) (Elghuweel et al., 2017; Omran et al., 2008), nepotism (Kragh, 2012) and the Omani cultural emphasis on social ties, informal rules and relationships (Elghuweel et al., 2016; Al-Hamadi et al., 2007) all make it easier for some outside directors to discuss agenda and company issues outside formal meetings. As pointed out by the previous interviewee, directors may interact informally outside in order to ensure they present a united front in the meeting. This is also likely to happen when a group of directors share a common vested interest in the issue under consideration; as one interviewee explained, they may interact informally outside the meeting in order to reach a position that serves their shared interest:

> *"It depends on the subject matter. If we have the same interests in the matter, it facilitates this to happen. We are still human."* (Ameen)

Directors representing the same shareholder may also engage and interact informally so that they arrive at the board meeting with a united position that reflects the opinion of the shareholder they are representing.

> *"When we are representing the same shareholder, we will always get together to be aligned on the same page."* (Issam)

This result suggests that the provision of the Omani Commercial Companies Law (see Section 2.5.7) allowing larger shareholders to appoint more outside directors indirectly encourages informal engagements and interactions between these directors outside the boardroom. Similar views were echoed by other directors (see Appendix 7.2b).

A number of participants (see Appendix 7.2c) noted that informal engagements and interactions are also driven by the limited understanding, knowledge and expertise of directors; realising that they know less about a subject than their colleagues, they will go to the perceived experts on the board for elucidation. Thus, one interviewee explained that

> *"I choose different people for different purposes. Sometimes that man is an HR person and he has a better understanding of the nature of HR. Sometimes he is a technical banker who will understand a proposal better than me. And sometimes he is an investment person who will understand the ratios and investment decisions and correct my own doubts."* (Zakaryia)

Alternatively, the informal interactions may be initiated by the more knowledgeable director:

> *"If a proposal is presented with not much supportive information, for example, the management closed their eyes in that they did not do enough work to cover market threats, usually, a highly learned and informed board member will take it upon himself to go and talk to each member separately to enlighten them about market threats. It's not well covered by the management."* (Naif)

In terms of the factors facilitating formal processes, the findings demonstrate that the main attributes affecting board decision-making processes are CEO/executive team information, board knowledge and chair leadership skills. Nine participants (31%) stated that one of the key factors influencing board processes is the availability of information; that is, whether the board has everything it needs to make a decision.

> *"Have directors got enough documents and information? This is an important factor as well."* (Khalid)

The information needs to be comprehensive, but, highlighting the importance of quality as well as quantity, interviewees also argued that it needs to be presented in a way that directors will find easy to follow:

> *"In the financial institution where I serve on the board, the management comes with all the documents; all available options and information are there: Central Bank of Oman regulations, CMA regulations, what we can do, what we cannot do. They submit one full document to us with all the opinions clearly set out there, all the options available to us, their recommendation that: out of the five options, we recommend option number two for these reasons and this is what we expect and this is how we see it. So, most board meetings in that financial institution go up to a maximum of two hours. We end up making maybe eight or nine decisions in that board. Other companies, without mentioning names, used to spend eight hours making one or two decisions."* (Haitham)

The comments made by the other participants are included in Appendix 7.2d. The result echoes Finkelstein and Mooney (2003) in demonstrating the importance of high-quality information from the CEO/executive team for efficient decision making. It is also supportive of Zhu et al.'s (2016) finding that the provision of adequate information by the CEO/executive team is crucial to the board's ability to engage in company strategy and promote positive company outcomes.

Eight participants (27.6%) cited directors' knowledge and experience as a factor affecting board processes, with both the diversity of knowledge across the board as a whole and the knowledge of individual directors in relation to the issue under consideration and the industry where the company operates, are extremely important to critically assess and deliberate agenda issues.

> *"The mix of the board is important. We should have different backgrounds: different industries and the same industry specialists. Sometimes we get all of them but there are no specialists. The management control everything, but that's risky because none of us are specialists and these guys are driving everything. Sometimes it's also good for management to have an industry specialist on their board. He can advise. That will add to the dynamic. That will add value."* (Hamdan)

However, the evidence suggests that even when directors have the relevant knowledge and experience, they are sometimes hesitant to participate.

> *"First of all, knowledge. Do directors have knowledge about the subject that we would like to discuss? Do they have the guts to speak out? Directors could have the knowledge, the information, but they are scared to talk."* (Khalid)

Similar comments were made by other participants (see Appendix 7.2e). The results suggest that board knowledge is only of value when directors use it in the boardroom. This is consistent with the findings of Ravasi and Zattoni (2006), Gabrielsson et al. (2007) and Machold et al. (2011), who demonstrate the considerable importance of directors first, having relevant knowledge and expertise and second, using this knowledge and experience to give better board advice on company strategy. As Roberts et al. (2005) and Roberts (2002) argue, this allows the board to build credibility with the CEO/executive team, making them more likely to approach the board for advice in the future. The finding also provides support for those studies (e.g., Wan and Ong, 2005; Zona and Zattoni, 2007; Zattoni et al., 2015) that find a significant relationship between use of knowledge and board role performance.

In line with the arguments of Leblanc (2005) and the findings of Roberts (2002), Gabrielsson et al. (2007), Machold et al. (2011), Bailey and Peck (2013) and Heemskerk et al. (2017), the evidence demonstrates that board chairs can enhance or undermine board deliberation. They can create a fertile ground for discussion and encourage the free exchange of views and opinions, or they can inhibit board interaction by dominating deliberations in the boardroom. This was echoed by a number of participants (see also Appendix 7.2f). For example:

> *"Some boards have a chairman who has power, he says this and this, and it is finished. It happens, but they are rare. It depends also on how he leads the discussions; if he is a dictator and he says that this decision is yes or no."* (Issa)

Another interviewee explained that the chairman's influence extends beyond the formal meetings to the overall board environment:

> *"When I join a board of directors, I always tell the board secretary to make a Whatsapp group for us. It will ease communication; we will exchange jokes. One chairman came to the secretary and said, 'I do not like being in WhatsApp groups.' Come on! Who does he think he is? Who the hell is he? If he sees*

himself as higher than anybody else, then why is he part of the society? Although such things are tiny and trivial, it builds a culture of communication, coherence and harmony among directors. It is very important and helpful for our discussion and communication in meetings and developing a good culture." (Majid)

This result suggests that the board chair can determine the efficiency not only of formal but also of informal arenas of board engagement and interaction. Like Roberts (2002) and Roberts et al. (2005), the finding demonstrates the board chair's role in creating informal arenas (other examples might include board dinners, lunches or meetings at company operational sites) that enhance informal engagements and interactions among directors (improving their mutual understanding and cohesiveness) and between directors and the CEO/executive team.

To sum up, the main factors facilitating formal processes are the CEO/executive team's provision of high-quality information, the presence on the board of directors with diverse and business-specific knowledge and experience, their application of this knowledge and expertise in the boardroom, and effective board chair leadership. While the main factors that facilitate the informal processes include social ties, limited knowledge of knowledge and common interests and shared shareholder representation. Other factors that can influence board processes are discussed in the following sections.

7.3 Relationships Between Directors

When participants were asked to describe the relationships between directors and how they influence board decision-making processes, most described these relationships as being based on trust and the desire to serve the interests of shareholders and company alike. This was the view expressed by directors representing family interests:

> *"I think it is a good relationship, a relationship that is based on trust. It has been transparent, so we don't feel that we are holding back information or trying to undermine other board members."* (Ali)

> *"We understand each other. Each one knows his capability. Each one understands what the interests of other directors are and their level of know-how. And therefore, we work as a team. Otherwise, the company would collapse. So, we work as one hand."* (Adil)

and by those representing their employer:

> *"Directors trust that whatever decision I'm making is for the benefit of the company. That is important. I work for a reputable company and we are there to support them. They seek my advice."* (Hamdan)

> *"The relationship is based on the interests of the shareholders. This is the foundation of the relationship between the members. Our interests are the same. In most of the meetings there is no disagreement. The basis of the relationship is that we trust our colleagues that their main motive is the interest of the company, and not personal interest."* (Hashim)

This result suggests that the trust relationship between directors enables them to understand one another's abilities and interests and enhances their advice interactions and deliberations. This is consistent with Roberts (2002), who suggests that trust promotes better-quality discussion in formal meetings. The finding that trust facilitates board agreement and enables directors to easily resolve any conflicts is similar to Huse et al.'s (2005) conclusion that trust is the foundation of the relationship between directors and an important factor in promoting positive boardroom dynamics. Zona (2015) and Bailey and Peck (2013) also highlight the importance of trust in enhancing the board's use of knowledge and information sharing, whilst Forbes and Milliken (1999), Parker (2007b) and Huse et al. (2005) point to its role in enabling board cohesiveness and efficient decision making.

Golden-Biddle and Rao (1997) concluded that the family/friendship relationships they observed in their study made directors inclined to avoid disagreement. This was echoed by interviewees (not representing family interests themselves) in the current study, who described family/friendship relationships as having a negative impact on board deliberations because they encourage favouritism:

> *"The relationship is all about favouritism because if an idea is proposed or an issue is raised for discussion by the board chair, be assured that it will immediately be accepted by all members."* (Fahad)

The evidence suggests that this favouritism allows certain directors to influence board decision-making processes and decisions as the opinions they express in the boardroom are not challenged by other directors.

A number of participants described having served on boards of directors where relationships were professional, respectful and harmonious. However, some also described serving on boards where relationships were instead shaped by prejudice, with opinions being formed on the basis of personality rather than rationality:

> *"Some boards are really understanding. There is an excellent chemistry and things will go smoothly. [However], on some others, I have found that somebody is trying to convince people to pre-judge my performance. That can determine the dialogue between board members. When we enter the room and we think that we are two teams, then that is the beginning of the problem. When we enter the room thinking that we are one team but we need to do it right, then that is much easier."* (Zakaryia)

As one interviewee observed, directors with a tendency to pre-judge are likely to resist changing their views:

> *"We have boards with a harmonious, transparent relationship. They are also open and sensitivity-free, allowing for exchange of views. But some members in some boards are fixed in their ways and stick to their guns. Some are flexible and open to change. Some members are not positive. It is important not to have a prejudiced opinion before a subject is raised."* (Suliman)

This may make it difficult for the board to reach an agreement. Board meetings are also likely to be prolonged if the board chair does not conduct them in a professional manner.

> *"It has to be professional and respectful among all board members, but it's not always that. This depends on the personality of the chairman. If the chairman is a professional, he will just make all the board members professional. If he is breaking the rules, like every call comes to him and he will just answer it, so if we have 10 board members and everyone speaks for five minutes it means 50 minutes gone out of the board."* (Ameen)

This interviewee saw the chairman as bearing the primary responsibility for setting a professional tone in board meetings. Similarly, according to another interviewee,

> *"Among the board members, I think it's more or less professional. The key role again is the chairman, and also the individuals themselves. They determine the level of professionalism among us."* (Hamed)

The findings support Huse et al.'s (2005) argument on the importance of directors' professional motivation in enabling positive board dynamics, and Bailey and Peck's (2013) finding on the importance of respect in decision-making processes. Like Heemskerk et al. (2017), the findings point to the existence of harmonious relationships in some boards. They also offer evidence to support Parker's (2007b) conclusion that cohesive relationships based on informality, humour and respect facilitate effective debate and interactions among directors without triggering affective conflicts.

Taken together, the findings suggest that, to develop positive interactions and dynamics and promote board cohesiveness and efficient decision making, directors should establish a professional, respectful and harmonious trust relationship and avoid favouritism.

7.4 Relationship Between the Board of Directors and the CEO/Executive Team

Participants were also asked to describe the relationship between the board of directors and the CEO/executive team and how this relationship influences board processes. The participants perceived this as a respectful, professional relationship based on the evaluation and incentivisation of CEO/executive team achievement and performance; the board of directors sets out the targets that the company wishes to achieve and assigns responsibility for executing its decisions to the CEO/executive team, who are remunerated accordingly (see Appendix 7.4).

> *"We create a manual authority and a little bit of freedom to the CEO so he can work and implement it. Also, we have made incentive schemes for the CEO. Every year, the board evaluates the CEO. Anything that affects the CEO in his work, he gets back to us; he doesn't only come to the meeting and tell us there! No."* (Adil)

As indicated above, the professional relationship also facilitates informal engagements and interactions between the board of directors and CEO/executive team which inform directors' understanding and knowledge of company challenges and issues.

The professional and respectful nature of the relationship promotes an environment in which the two sides feel able to exchange views freely, enhancing board communication and deliberation.

> *"It is mutual respect and professionalism. We have a strong management with strong opinions, and we have debates with them."* (Hamed)

Several interviewees described the relationship between their board of directors and CEO/executive team as being based on trust:

> *"I think it is based on trust and transparent, so we don't feel that management is holding back information or we are trying to undermine the management. This makes the meetings effective and productive."* (Ali)

As in Zona (2015) and Bailey and Peck (2013), the results suggest that trust between the board of directors and CEO/executive team encourages the latter to become more transparent and to provide more information to the board of directors. This serves to reduce the information gap between the board and the CEO/executive team. Further, the findings demonstrate that the CEO/executive team are more likely to seek advice from the board of directors when there is a trust relationship.

> *"We always have a good relationship with the management. If management doesn't trust us to guide them in the right way, there will always be problems down the line. They have to feel that the board is there to help them and assist them. If we do not do that correctly, they will not come to us. They will not be open with us. They [should] come to us if there is an issue."* (Hamdan)

> *"We also build a trust relationship with management. If customers complain about a network in X zone, I call the management and tell them, 'Why was there a dropped call here?' I call, not necessarily the CEO, but I go to the guy who is responsible. It's based on trust because I should not undermine the CEO's position and he might feel that I am overriding him."* (Faisal)

As the above comments demonstrate, board advice interactions with the CEO/executive team are enhanced when there is a trust relationship between the two and the CEO/executive team feels comfortable about approaching the board for support. The results also suggest that a trust relationship makes it easier for directors to interact informally with members of the executive team other than the CEO without triggering personal conflict with the CEO.

Heemskerk et al. (2017) and Golden-Biddle and Rao (1997) describe some board/CEO/executive team relationships as being friendly and harmonious but inefficient. Similarly, three interviewees in the current study claimed to have served on boards where the friendly relationship between the board and the CEO/executive team had reduced board effectiveness. One of these interviewees gave the following example:

> *In a friendly relationship and environment, we would sometimes accept the late submission of information and go around it, like I would spend three, four hours the night before the meeting covering up for the shortage and the mismanagement from our management. But if it's a hostile environment, somebody can object and say, 'Sorry guys, you did not send me the information a week before, according to the law, and I am not ready and I think this decision is illegal.'"* (Majid)

These directors were willing to accept the late submission of the agenda and information package for the sake of preserving harmony between the board and the CEO/executive team, even though this prevented them from examining the material properly. This would have impacted on the board's performance, including its decision-making processes.

Another interviewee described how certain directors on his board, convinced that the CEO is the man to implement their agenda, align themselves with him by always favouring his views. As a result, board deliberations end up focusing repeatedly on the CEO/executive team's preferred topics rather than the company's strategic issues.

"We have a CEO who is favoured by some board members. I find myself doing the same daily routines and dealing with the same problems in this institution because the board chair and other members think this person will pass or carry out their own strategies and agenda." (Fahad)

On the one hand, this enables the board chair and these directors to push for their own agenda and interests within the company. On the other hand, it guarantees that the CEO/executive team will obtain board approval and support for their proposals, good or bad. Similar concerns were expressed by another interviewee, who observed that

"I believe also in the rotation of directors, it's very healthy…. Sometimes a friendship will start between directors and the CEO. Sometimes friendship influence is there. They will always support the CEO. Whether it is a good proposal or not a good proposal, the directors will say, 'Approve.' Because it comes from a friend and they would like to support him. It happens." (Imad)

The comments above highlight the potential adverse consequences for board effectiveness of a board/CEO/executive team relationship that is too friendly. However, several participants pointed to the difficulties that can arise if the opposite happens and this relationship goes badly wrong. This often occurs if certain directors take a serious dislike towards the CEO/executive team, for example because they have not acted as the director concerned would wish. One interviewee gave the following example of how personal friction between director and CEO can spill over into the boardroom:

"A director wants to hire his relative or someone he knows and the CEO interviewed him and found that he is not good enough and refused him. Then

comes hate and enmity and sensitivity in the relationship, and the director will keep this in his mind in the board meeting and treat the CEO badly." (Majid)

This affective conflict can result in the CEO or her/his team being treated unfairly in the boardroom, for example, by being subjected to extensive criticism on even the most minor points:

> *"If there is no chemistry between some directors and the CEO, then one of those nice readers who read too much will spend hours trying to look into the small dots in the white page to find mistakes in every proposal: wording, alignment, tables not clear, colours are not good, what is this, where is that, who is this, that will not take us anywhere. Then the management try to defend themselves to look good because of the way they present, not the purpose of the presentation!"* (Zakaryia)

The criticism may be irrelevant to the main issue that the board is addressing, with the result that the discussion ends up deviating from the topic at hand, wasting everyone's time. The CEO/executive team may respond by creating coalitions with the remaining directors to counterbalance the hostility coming from their critics. Thus:

> *"If there is no harmony in the relationship, then the CEO will try to get some board members on his side, or board members will start: one pushing, one fighting."* (Yunus)

This is likely to lead to splits within the board as directors side with or against the CEO/executive team.

"If people's attitude is bad, not professional, the management will see board meetings as hellish, and they will hate coming. The board will be divided into two groups. One group will be only with the management." (Ameen)

This result confirms the importance of developing a relationship between the board of directors and the CEO/executive team that is based on professionalism, trust, respect and harmony. This is vital to promote and maintain efficient decision-making processes and cohesion both within the board and between the two sides.

7.5 Powerful Individuals and Coalitions

Participants explained that board processes are influenced by powerful individuals or coalitions whose power comes from three key sources: directors' knowledge and expertise, their personality and charisma, and their role as the representative of a major shareholder. Like Pettigrew and McNulty (1995) and McNulty and Pettigrew (1996), who identify knowledge as a source of power for non-executive directors, participants in the study asserted that a director who has knowledge and expertise in a particular subject area has the greatest influence over that part of the board discussion:

"It depends on the knowledge, it's usually the knowledge that dictates. So, on the bank board, the people who have more experience in banking, finance, investments will definitely have more influence over other directors." (Musa)

As another interviewee explained, this means that

"Influence or dominance shifts during the meeting from one end to the other. The business operation guy, he will dominate that part of the meeting. Financial

aspects will fall to another guy. Forward thinking and strategy will fall to another guy." (Hamdan)

Similar comments were echoed by other participants (see Appendix 7.5a).

Other interviewees (see Appendix 7.5b) argued that directors with a strong personality and charisma can also have a disproportionate influence over board processes. Thus:

> *"The power comes from the strong personality of the person. They can dictate to others what's to be done, and that's likely to spur a lot of informal interactions in the board. Personality plays a very important role."* (Ali)

Another noted the inhibiting effect of such dominance on other directors, and hence, on board discussion:

> *"If a director has a strong personality, he might influence others. Some people are very aggressive and are always the decision maker in the board. Some people are very quiet and have a weak personality. That's why sometimes people make decision by circulation so that everybody expresses his own view and does not copy others in the meeting."* (Rami)

This result provides some support for Samra-Fredericks' (2000) finding that directors influence board interaction and decision making when they express their emotions appropriately and consistently. However, it also suggests that the presence of strong personalities on the board can inhibit the free exchange of views and make the formal decision-making context uncomfortable. This may lead some directors to look for informal opportunities to deliberate the issues, or to make their decisions based on circulation.

Finally, participants stated that board processes are sometimes influenced by the power that certain directors wield as the representatives of major shareholders. This is consistent with the current study's expectation that major shareholders exert substantial influence over board decision-making processes in Oman (see for example Section 1.2.2, Section 2.5 and Section 4.6.4). These directors are able to incorporate the views and interests of their shareholders into board deliberations.

> *"Why do major shareholders choose directors from their families? Because they want to call the director before the meeting and tell him that, 'Tomorrow the board will discuss these topics, try to see they pass.' The director will put his comment in the meeting very simply and say, 'Although I do not have much to do with this, I don't mind, I agree.' Or he'll say, 'My father or brother told me we must do this.' He is a major shareholder."* (Adil)

Such is the power of major shareholders, one interviewee admitted that he will not even bother bringing a proposal to the board unless he can secure their support:

> *"The major shareholder has a huge influence on the direction and decision making, so getting him on board is very critical. If I don't lobby them properly, I will probably not raise a major issue on the board, no way. I will not risk it."* (Hamdan)

Another interviewee explained that larger shareholders may form coalitions to push through an agenda that may or may not be in the interests of smaller shareholders or the company:

> *"Sometimes we face alliances that hold 50% or 60% of the shares, and they want to execute a certain agenda. These agendas might be in the interests of small shareholders as well. Sometimes no, certain shareholders want to dominate the company by merging it with another company to become a grand entity, and that affects the shareholders and the productivity of the company."* (Hashim)

Such coalitions may prove impossible for the remaining directors to resist, especially if the board chair is part of the dominant group. However, as the following interviewee observed, it is still in the interests of this group to secure formal support from the rest of the board just in case the proposal turns out badly:

> *"There was a proposal to invest in [an Asian country] where we do not believe as directors that we should go, but the government believes that it is a good proposal and the proposal was approved. They are the majority. Also, if the chairman comes from the major shareholder's group, he has the power, but he will always keep in mind that he has to get the support of other directors so that he and his shareholder will not become liable for it."* (Faisal)

Similar comments were echoed by numerous participants (see Appendix 7.5c). Taken together, the findings suggest that the key sources of power that enable directors to influence board decision-making processes are their role as major shareholder representatives, a strong personality and knowledge and expertise.

7.6 Omani Culture

When participants were asked about the influence of Omani culture on board processes, the data highlighted a number of cultural aspects that reduce process efficiency by encouraging directors to avoid potentially productive disagreements. These include the cultural environment, Omani society's traditional respect for high social status and age, and the emphasis on social ties and flattery.

Several participants suggested that the Omani cultural environment does not encourage directors to express their personal opinions in public. This is drilled into them even from childhood, as explained by this interviewee:

> *"Here, we tell sons not to express themselves when they are in front of their fathers and that stays with them. If he speaks out, he may get spanked, hit, criticised or shouted at. Those who speak their mind suffer later on. People won't talk because they are scared."* (Khalid)

This reluctance to express an opinion in public is in part for fear of upsetting someone else or provoking a confrontation.

> *"We do not like to make others upset; what upsets directors will be hidden by the other director. We have grown up with this. Our parents taught us this."* (Majid)

Other participants made similar comments (see Appendix 7.6a). The result suggests that the cultural environment in which Omani directors grow up makes some actively avoid getting into arguments with other directors in board meetings.

The reluctance to challenge others may be even greater where directors from the same family or tribe serve on the same board of directors. Even though they may represent different shareholders, they tend not to challenge their relatives. Instead, they will be reticent or support the opinions held by their relatives in order to maintain their social ties and relationships.

> *"Kinship plays a role, so if a director is on the board with his cousin or uncle, it definitely impacts the way he talks and discusses. Usually, if a director represents one individual or company and his uncle comes from a different company, that will also make a difference."* (Naif)

The same applies if the ties are of friendship.

> *"Decisions are not always made on professional grounds. Sometimes they are made on cultural grounds. You see, in the boards of companies in [mentioned a specific region], all members are from that region. They are friends and if I come and say no to them, a big fight might happen."* (Adil)

The finding echoes Stevenson and Radin (2009) and Westphal (1999) in demonstrating that social ties between directors lead these directors to support one another in board discussions. It also supports the arguments of Elghuweel et al. (2016) and Al-Hamadi et al. (2007) that Omani companies are highly reliant on informal rules and relationships, and the current study's prediction (see Section 4.6.2) that directors' kinship ties and tribal values impact on board interactions in the Omani context.

A number of participants also believed that directors are inclined to avoid disagreeing with older or high-status directors because of the emphasis Omani culture places on respect for these groups. One interviewee gave an example of the power this gives these individuals within the board, even to the extent that they can override the wishes of the major shareholder:

> *"We had a lot of retained earnings in a company and I recommended the majority be distributed. One high-status, old director, who was also one of the founders of the company, said, 'No, better keep it for the black days.' From an elderly view. Even though I'm representing the biggest shareholder, the rest will listen to him. So, I have to walk up to him, explain to him clearly why I'm doing this. If he insists, I go to a vote. But he wins, end of story. He wins all of it. He collected more votes. He stopped us."* (Hamdan)

Another gave an interesting insight into the origins of this tradition:

> *"Our tradition of respect for the other, over-respect sometimes, it makes us sometimes hold back our good ideas because of our traditions. In the past, when the old man, the wise man spoke, everybody listened and it was considered finished. No need to express any opinion...... Also [mentioned the name of a high-status individual] called me today and told me his opinion. Don't you think I will be influenced tomorrow in the meeting? Yeah."* (Yunus)

However, as the following interviewee noted, there is a tension between this traditional respect for status and the need for board independence:

> *"If there are people with high positions in the country, they still have an influence sometimes. Directors don't want to make them unhappy. It is still there, even though professionally, it shouldn't be…. If directors are really independent, someone would say, 'Yes, Mr. So-and-So, thank you very much,*

but I'm sorry. I don't agree.' It has to be presented in that way, but yes, in certain boards I've seen it is still there." (Faisal)

The above comments (see also Appendix 7.6b) are consistent with the expectation in Section 4.6.1 that Omani culture and directors' social status and age impact on board decision-making processes in that they show directors tend to give undue weight to these characteristics when deciding whose opinions to accept or challenge. Taken together, directors who are older, high-status, or who are connected to other directors by kinship, tribal or friendship ties are less likely to be challenged and more likely to be deferred to, making them more influential in the decision-making process.

Westphal and Stern (2007) and Stern and Westphal (2010) demonstrate that directors flatter nomination committee members and CEOs to secure appointments to other boards. However, whilst the findings of the current study certainly demonstrate that flattery exists in Omani boards, they suggest that in this context, it is not so much a technique deployed to further personal interests but as a culturally expected way of behaving towards others during formal discussions. The findings demonstrate that directors flatter each other for several reasons. A board chair's decision to take directors' views into consideration, even when the CEO/executive team has presented an overwhelming case, is essentially a way of flattering directors by acknowledging the importance of their opinions.

"The chairman may also indulge board members at the expense of the management even if he is convinced that the management's take and view is sound. This courtesy and bias towards the board members may not be direct, but more in the sense that the approach of management is understandable and acceptable, but at the same time, the view of the board member is the one that

> *is more appealing, and therefore, it has to be taken into account. The chair tries to strike some sort of balance."* (Talal)

In this case, the board chair's diplomacy ensures that directors do not lose face in front of the CEO/executive team. This is in line with Samra-Fredericks' (2000) suggestion that directors support each other in maintaining face during board interactions in order to preserve the board's influence. In the same way, directors may flatter the board chair or other directors and accept decisions that do not reflect their own view, so long as they see no great risk to doing so.

> *"Many directors do flatter the chair or their colleagues or shareholders on some projects and we hide our feelings and emotions and the things that we believe right and true for the sake of satisfying our colleague. We do not face him, but not with the really expensive projects. We have brave directors here. They stand up for their point."* (Majid)

In these instances, the motivation may be to spare the feelings of colleagues or to avoid conflict within the board.

> *"Even though the discussion outside the room was that this proposal is not good at all, when somebody says, 'How about this?' They will agree. So, there are situations where it's flattery and compliments. Again, it is when I measure the impact of the transaction and I see my objection will probably create a crack in the relationships in the board and the consequences are not significant. But if there is a big investment that will cost me market share, share price, investors, senior staff, I will try to stop it and convince the rest."* (Zakaryia)

The finding demonstrates that flattery is likely to occur when directors believe that an open expression of their views may create friction and conflict in the board of directors, but only if the decision being considered is not seen as having the potential to significantly impact on the business. Finally, Roberts' (2002) finding that a complimentary between the board chair and CEO can inhibit effective contributions by outside directors appears to be borne out by the following interviewee, who described directors on his board as being reluctant to criticise the CEO even when warranted.

> *"Sometimes I say to myself why do we need to burn ourselves? Let's go with the group because of the flattery and compliment. It means I burn myself fighting with the CEO and disagree with him during the discussion so why should I burn myself? Flattery is killing us. Directors know that the CEO did something wrong, I mean, talk, talk! Why am I shouting alone out of five, or six, or two, and the rest sit quiet?"* (Imad)

The result supports Heemskerk et al.'s (2017) conclusion that disagreement avoidance has a detrimental effect on board dynamics.

When disagreements do occur, the influence of Omani culture means that directors express their dissenting views in a respectful manner, taking into consideration other directors' feelings and using very polite language. According to one interviewee,

> *"There is always mutual respect when we exchange views and we do not stop or interrupt others when talking; even when we have different views, we exchange them in a very respectful way and language."* (Salim)

Omani culture's emphasis on quietness and careful reflection also affect how boards deal with complex company issues; as this interviewee explained:

> *"What is striking is the calm nature of the Omanis. They do not react or lose patience. They just seem to take their time and may stay all day long discussing a topic. The protracted discussions and the slow decision-making process absorb the hot emotions of the parties concerned and help them to agree on a particular issue."* (Talal)

This result suggests that Omani culture fosters an environment which encourages boards to deliberate complex issues comprehensively whilst mitigating the risk of damaging disputes and conflicts among directors. It supports Samra-Fredericks (2000) in highlighting the importance of respectful and diplomatic language in preventing disagreements from turning into affective conflicts, and Finkelstein and Mooney (2003) in showing that board issues must be addressed comprehensively and without destructive conflict if decision-making processes are to be effective.

In summary, the findings demonstrate that Omani culture can enhance or hinder board deliberations in a number of ways. On the one hand, directors' upbringing, Omani society's traditional respect for age, status, friendship and kinship ties, and its tendency towards flattery can all make directors reluctant to challenge their colleagues on the board. On the other hand, the culture's emphasis on respect and quiet reflection promotes constructive board deliberation and efficient processes for decision making and dealing with disagreements.

7.7 Summary

This chapter has explored and discussed the findings relating to the factors affecting board processes in Oman. Consistent with numerous other studies (e.g., Heemskerk et al., 2017; Zona, 2015; Bailey and Peck, 2013; Machold et al., 2011; Van Ees et al., 2008; Gabrielsson et al., 2007; Parker, 2007b; Ravasi and Zattoni, 2006; Roberts et al., 2005; Leblanc, 2005; Huse et al., 2005; Finkelstein and Mooney, 2003; Roberts, 2002; Westphal, 1999; Roberts and Stiles, 1999; Forbes and Milliken, 1999; Golden-Biddle and Rao, 1997), the findings suggest that board decision-making processes are impacted by a number of factors. These include the quality of information submitted to the board of directors, board chair leadership skills, directors' knowledge and expertise (both in terms of diversity and issue- and industry-relevance) and how these are applied in the boardroom, the level of power held by individual directors or coalitions, and the relationships between directors and between the board and the CEO/executive team. The findings highlight that in Oman, board processes are also affected by cultural aspects such as directors' upbringing, respect for high social status and age, social ties, flattery, and social norms that require dissent to be expressed respectfully and complex issues to be handled with patience.

The analysis concludes that informal interactions between directors, which are often facilitated by social ties, occur when these directors share vested interests or want to address gaps in their knowledge and expertise. In terms of formal processes, it concludes that professional, respectful and trusting relationships between the board of directors and CEO/executive team, and among directors, are vital for efficient board processes. Also crucial are the CEO/executive team providing all the necessary information, and directors having and employing knowledge and expertise that are both diverse and issue-relevant. Finally, an efficient boardroom culture is most likely when the board chair has sound leadership skills.

Chapter 8
Conclusion

8.1 Introduction

The preceding two chapters explored and discussed the findings on the processes by which boards of directors influence decisions and the factors that affect board-decision making processes. This chapter provides the conclusion of the thesis. It begins by providing an overview of the research context and restating the research aims, questions, objectives and approach before summarising the findings and discussion in the context of these research questions and objectives. The chapter then highlights the implications of the study's findings and the contributions it makes to knowledge. Finally, it identifies the limitations of the study and suggests avenues for further research.

8.2 Overview

The literature on boards of directors has mainly focused on examining the relationships between board structural attributes (e.g., board independence, leadership, knowledge, etc.) and company outcomes (e.g., performance, disclosure, etc.) (e.g., Chen et al., 2017; Shaukat et al., 2016; Yekini et al., 2015; Conyon, 2014; Mangena et al., 2012; Haniffa and Cooke, 2002; Core et al., 1999). On the whole, this literature suggests that board structural attributes have implications for company outcomes, though it has not given any insight into how boards of directors achieve these outcomes. This has led to the emergence of a new stream of literature (e.g., Barroso-Castro et al., 2017; Zattoni et al., 2015; Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Minichilli et al., 2009; Minichilli et al., 2012; Wan and Ong, 2005) that examines board processes with the aim of understanding how boards of directors influence decisions and outcomes.

The review of the board process literature in Chapter 3 highlights the knowledge gaps still to be addressed in this research stream. Studies have so far focused only on board engagements and interactions in formal meetings (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Huse et al., 2005; Samra-Fredericks, 2000), agenda processes (Peebles, 2010), board engagement in strategy processes (McNulty and Pettigrew, 1999) and sub-committee processes (e.g., Clune et al., 2014; Hermanson et al., 2012; Beasley et al., 2009; Turley and Zaman, 2007; Gendron and Bédard, 2006). Further, most are based on case studies of only one or two companies (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Brundin and Nordqvist, 2008; Huse et al., 2005; Samra-Fredericks, 2000). As a result, board decision-making processes in general are not well understood; knowledge and understanding in respect of informal processes in general and preparation and political processes in particular are still limited.

In addition, board decision-making processes have hitherto been examined in the context of developed countries only. As discussed in Chapter 1 and Chapter 2, there are differences in ownership structure, corporate governance practices, culture, business environment and political and legal systems between developed countries such as the US and UK and developing countries such as Oman. Unlike most developed countries, Oman is characterised by collectivism, high-power distance, high uncertainty avoidance, hierarchical social structures and heavy reliance on informal rules, and a system that offers little legal protection for minority shareholders (Elghuweel et al., 2016; Moideenkutty et al., 2011; Al-Hamadi et al., 2007). Further, ownership structure is closely held by families and the government (Elghuweel et al., 2016; Hashim and Amrah, 2016; Omran et al., 2008). The differences in ownership structure, corporate governance framework and culture in particular have implications for how boards are structured and composed in Oman and how decision-making processes operate. For example, major shareholding families can appoint more directors, including family members, to represent them on the board, giving them the power to interfere in board deliberations through their representatives. The problem is compounded by Omani cultural expectations, which make directors reluctant to challenge their relatives and friends or other directors who represent major shareholders or who are high-status or elderly.

8.3 Research Questions, Objectives and Approach

In light of the research gap discussed above, the aims of the study were to examine board processes and the factors affecting board decision-making processes, and to develop a more comprehensive framework for the processes by which boards of directors influence decisions and outcomes in the context of one developing country, Oman. These aims led to the formulation of the following research questions:

1) *What are the processes by which boards of directors influence company decisions?*

2) *What are the factors influencing boards' decision-making processes?*

To address the first research question, the following objectives were specified:

1) To investigate the processes by which boards of directors influence agenda formation;

2) To explore the processes by which boards of directors prepare for meetings;

3) To investigate the political processes by which boards of directors build coalitions and influence decisions;

4) To examine the processes by which boards of directors influence decisions in the formal meetings.

To address the second research question, the following objectives were specified:

1) To investigate the factors facilitating formal and informal board processes;

2) To examine the impacts of the relationships among directors and between the board of directors and the CEO/executive team on board decision-making processes;

3) To explore the sources of power by which directors influence board decision-making processes;

4) To examine the impacts of aspects of Omani culture on board decision-making processes.

To address these research questions and objectives, the constructivist paradigm (e.g., Easterby-Smith et al., 2012; Creswell, 2007; Guba and Lincoln, 1994), inductive research approach and qualitative research method were applied (e.g., Saunders et al., 2015; Hussey and Hussey, 1997). Thirty-four semi-structured, face-to-face interviews (e.g., Bryman and Bell, 2011; Saunders et al., 2009; Opdenakker, 2006; Hussey and Hussey, 1997) were conducted with outside directors serving on the boards of public companies listed on the Muscat Securities Market (MSM). Five of these interviews were used for the pilot study. The directors were drawn from the industrial sector, service sector and financial sector and were identified using purposive and snowball sampling (Cohen et al., 2018; Saunders et al., 2009; Saunders et al., 2015). The resulting transcripts were subjected to thematic analysis using Braun and Clarke’s (2006) analysis phases.

8.4 Findings of the Study

This section provides a summary of the main findings and discussion, as they relate to the research questions and objectives. The first research question addressed the processes by which boards of directors influence company decisions. Within this question, four objectives were specified to address: (i) board agenda processes, (ii) board preparation processes, (iii) board political processes and (iv) board processes in formal meetings. The second research question addressed the factors influencing board decision-making processes. Within this question, four objectives were specified to examine: (i) the factors facilitating formal and informal processes, (ii) the influence of relationships among directors and between the board of directors and the CEO/executive team, (iii) the sources of directorial power and (iv) the impact of Omani culture on board decision-making processes. The main findings for each research objective are reported in the following sub-sections.

8.4.1 Processes by which Boards Influence Agenda Formation

The findings indicate that whilst the CEO/executive team often determine the board agenda, they do not entirely dominate board agenda formation. Rather, the evidence indicates that outside directors often initiate board agenda items, either formally before or during formal meetings by engaging with the board chair, or informally by engaging and interacting with one another and with the CEO/executive team. Engagements and interactions take place between major shareholders and their representatives on the board, who then interact with other directors and the CEO/executive team to discuss these shareholders' proposals with a view to including them in the board agenda. Directors may initiate even substantial investment proposals such as mergers and acquisitions. In this case, they will interact informally with one another to build consensus before interacting with the CEO/executive team in formal meetings.

Secondly, supporting social comparison theory (Festinger, 1954) and persuasive arguments theory, the findings demonstrate that CEOs will first interact informally with directors to compare ideas and to share information about strategy and proposals. This affords both sides an opportunity to assess the merits and demerits of a proposal and enables directors to shape and influence CEO/executive team proposals and agendas.

Thirdly, board sub-committees are able to influence potential CEO/executive team proposals and agenda items through their interactions with the board chair, the CEO/executive team, auditors and relevant employees. Finally, board agendas are subject to board chair approval. Taken together, these findings suggest that boards of directors actively engage in board agenda and proposal formation, creating new agendas and proposals and influencing those advanced by the CEO/executive team.

8.4.2 Processes by which Boards Prepare for Meetings

The study demonstrates that individual directors vary in the effort they give to reviewing the board agenda and information package. In most boards, some or most directors review and examine the agenda and information package, but in a few boards, the majority of directors do not review the agenda and information package. This is mainly because of their busy schedules and multiple board membership, the complexity and volume of the information in the package, and the fact that board packages are sometimes submitted late to directors.

The findings indicate that those directors who do review the package may engage and interact with a range of constituents to prepare for the meeting, including the CEO/executive team, fellow board members, friends and employees of their companies. Supporting persuasive arguments theory (Burnstein and Vinokur, 1973; Burnstein and Vinokur, 1975; Burnstein et al., 1973), directors who feel that the agenda lacks information or who need clarification may engage formally with the CEO/executive team through the board secretary, email or iPad software to request further information and clarification. They may also on some occasions engage informally with the CEO/executive team to obtain clarification of the agenda issues. This enables outside directors to draw not just on their own knowledge and experience but also on the information they have obtained from the CEO/executive team before the meeting to better assess the merit of agenda items. Directors may also conduct their own research on agenda issues using sources such as market intelligence, international financial and academic institutions (e.g., IMF and the World Bank) and analysts' reports.

As posited by social comparison theory (Festinger, 1954), the findings indicate that outside directors may also prepare for meetings by exchanging views with one another beforehand. This allows them to compare their opinions with those of their colleagues and evaluate where they stand within the board as a whole, and to improve their understanding of the agenda issues. Directors may also interact with other individuals in their network who have relevant knowledge and experience, such as friends and company employees. These interactions tend to occur without the disclosure of confidential or sensitive information about the issue or company involved.

These preparation interactions have implications for processes in the boardroom. On the one hand, the interview findings indicate that directors attending meetings well prepared are likely to influence the opinions of their unprepared colleagues and thus have a greater effect on the board decision-making process. Conversely, lack of preparation makes the interactions in formal meetings less efficient as too much time is spent answering the inquiries and doubts of unprepared directors. This extends the duration of board meetings and causes a delay in board decision making. By contrast, directors' preparation and clarification interactions with the CEO/executive team before the meeting enhance their understanding of the agenda issues, facilitating effective board interactions and deliberations in the formal meetings. Finally, supporting social comparison theory (Festinger, 1954), the interactions that occur between directors outside formal meetings may enable directors with greater experience and knowledge of the agenda issue to change others' opinions, laying the groundwork for general agreement even before the issue is deliberated in the formal meeting. Not only does this facilitate board consensus and decision making in formal meetings, but it allows directors to present a more coordinated front when they are examining, challenging or criticising CEO/executive team proposals. The informal interactions among directors also make it easier for the board to reject CEO/executive team recommendations and proposals without generating affective conflicts between the two sides.

8.4.3 Political Processes by which Boards Build Coalitions and Influence Decisions

The previous section reports that directors may prepare for meetings by interacting with other directors. However, the evidence supports power circulation theory (Ocasio, 1994; Selznick, 1957) by showing that these informal interactions are undertaken not just to exchange views but also to create coalitions and to lobby decisions. Directors compete to wield influence over decision making either for good purposes (e.g., to push for fair remuneration for the CEO/executive team or to prevent other directors from furthering their own interests at the expense of others) or bad (e.g., to further their own personal interests or to undermine the CEO). Political coalitions might also be formed when CEOs engage with outside directors to promote an agenda issue that is not widely supported, though these coalitions are not always successful in influencing decisions. Similarly, political coalitions formed by outside directors will influence board decisions only if they are able to win over all or most directors. Where lobbying is successful, there will be less board interaction and discussion in the formal meeting, and the final decision will favour the lobbying directors.

The findings suggest that informal processes in general are a double-edged sword that can either improve or reduce the efficiency of board decision-making processes. Constructive informal interactions and efficient preparations enhance board interaction and deliberation in meetings, whereas political interactions that are designed to undermine others or to advance personal interests create friction among directors and between them and the CEO/executive team, fostering an inefficient decision-making context. These informal interactions are conducted through telephone calls or in face-to-face meetings in directors' homes and offices, CEO/executive team offices, shareholders' offices and coffee shops.

8.4.4 Processes by which Boards Influence Decisions in Formal Meetings

The findings show that boards of directors interact not only with top executives (e.g., CEO, Chief Financial Officer), but also with middle managers who are relevant to the agenda item (Chief Operating Officer, strategy manager, HR manager). These senior and middle executives present and explain the agenda issues and then interact with the board. For their part, directors engage and interact with these executives to deliberate a range of issues including potential strategic investments and proposals, CEO/executive team strategy achievement and performance, and company operational costs and expenses. The findings show different kinds of board interaction occurring in formal meetings. In some interactions, directors question the CEO/executive team to obtain further information and enhance their understanding of agenda issues, and the relevant executives respond with additional explanation and information. In other interactions, directors question these individuals to understand why they have been unable to achieve the stipulated outcomes, and the CEO/executive team respond with explanation and justification of their performance. Formal meetings also sometimes see directors advising or challenging the CEO/executive team and the latter defending their views.

Directors also interact with one another in the boardroom to discuss forward planning matters (e.g., the current and future status of the market, whether the company should purchase or lease assets, potential investments and direction, etc.), CEO/executive team appointments and terminations, dividend distribution and sub-committee recommendations. They engage with internal and external auditors on issues relating to financial reporting and accounts or in the event of fraud, and with consultants to ensure and verify the correctness and feasibility of CEO/executive team information and the company proposals and investments presented to them.

The findings support social comparison theory (Festinger, 1954; Sanders and Baron, 1977) by demonstrating that directors tend to accept the opinion held by those directors who know most about the agenda issue being considered. However, whilst the findings indicate that directors will occasionally change their opinion so as not to stand out from the majority, as posited by social comparison theory, they also challenge the theory by suggesting that dissenting directors are just as likely to resist the majority view and insist that their reservation is minuted. Where this leads to significant disagreement among directors, the board chair will often resort to a vote. The findings also support persuasive arguments theory (Burnstein and Vinokur, 1973; Burnstein and Vinokur, 1975; Burnstein et al., 1973) by indicating that directors sometimes support their opinions by exchanging information and arguments, with the final decision being based on the most valid argument.

Taken together, the findings suggest that board interactions are dynamic and multidimensional as directors engage in a variety of ways both with one another and with other constituents. Board decision-making processes are similarly complex and affected by a range of factors. These are reported briefly in the following sub-sections.

8.4.5 Factors Facilitating Formal and Informal Board Processes

The findings demonstrate a number of attributes that facilitate efficient board decision-making processes in formal meetings. These include the availability of sufficient and appropriate information for decision making, board knowledge and board chair leadership skills. The CEO/executive team's provision of relevant information helps directors to discuss agenda issues efficiently and to make decisions without delay. Board knowledge was also found to be vitally important in enabling boards to engage in efficient and critical discussion. Boards who have both a diverse range of knowledge and experience and company- and industry-specific knowledge and experience are more able to challenge and advise the CEO/executive team on technical and critical strategy and issues. However, it is worth noting that this knowledge is useful only if directors apply it in the boardroom. Another factor that was perceived by participants as essential for promoting the free exchange of views and constructive discussion was good board chair leadership skills. A board chair who lacks these skills is more likely to dominate board processes and decision making and to create an environment that does not encourage outside contributions to board deliberations and decisions. In terms of informal processes, the study concludes that the main factors facilitating and driving directors' engagements and interactions outside formal meetings are their social ties, vested interests and limited understanding of agenda issues.

8.4.6 Impacts of Relationships on Board Decision-Making Processes

This study shows that different types of relationship exist among directors, and between them and the CEO/executive team. For example, relationships between directors may be based on trust or family/friendship ties. The presence of trust makes it easier for directors to understand one another's background and capabilities and to complement one another in the decision-making process. Directors feel able to approach one another for advice and to discuss subjects freely, and they find it easier to resolve conflicts and to reach agreement on board issues. Where relationships are based on family/friendship ties, favouritism can negatively impact on board deliberations; certain directors are able to exert a disproportionate influence over board decision-making processes because the views they express are not challenged by other directors. Outside directors may serve on boards where the relationships between directors are professional, respectful and harmonious, or instead shaped by prejudice. In the latter case, directors form their opinions on the basis of personality prejudice rather than rationality, leading to friction and making it difficult to reach agreement.

In some boards, the relationship between the board of directors and the CEO/executive team is characterised by professionalism and respect based on the evaluation and incentivisation of CEO/executive team achievement and performance. The board assigns targets, gives the CEO/executive team responsibility for executing these targets and remunerates them accordingly. This professionalism/respect relationship facilitates the separation of duties and responsibilities between the board and the CEO/executive team and promotes an environment conducive to efficient communication and deliberation. In this context, directors and executives feel able to exchange views freely. The relationship facilitates informal engagements and interactions between the board of directors and the CEO/executive team which inform directors' understanding and knowledge of company challenges and issues.

In other boards, the relationship between directors and the CEO/executive team is based on trust. This type of relationship encourages the CEO/executive team to become more transparent and willing to provide more information to the board of directors, reducing the information gap between the two sides. Further, it encourages the CEO/executive team to seek advice and support from the board of directors. Finally, it makes it easier for directors to interact informally with executives other than the CEO without triggering personal conflict with the CEO.

The friendly/favouritism relationship can also exist between boards of directors and CEO/executive teams. This kind of relationship reduces board effectiveness as directors are inclined to favour the views of the CEO, and board deliberations tend to focus mainly on the CEO/executive team's chosen issues rather than strategic matters. On the one hand, this enables the board chair and directors to push for their own agenda and interests within the company. On the other hand, it makes it easy for the CEO/executive team to obtain board approval for their proposals. In addition, directors accept the late submission of the agenda and information package for the sake of preserving harmony between directors and the CEO/executive team, even though this prevents them from examining the material properly.

The relationship between the board of directors and the CEO/executive team may become difficult if the CEO/executive team have not acted as some directors would wish. These directors may take a serious dislike towards the CEO/executive team and treat them unfairly in the boardroom, for example, by criticising them extensively on minor points. If these are irrelevant to the main issue that the board is addressing, this will be disruptive to board efficiency. Such a relationship is likely to lead to splits within the board as directors choose to stand with or against the CEO/executive team.

8.4.7 Sources of Power by which Directors Influence Board Decision-Making Processes

This study found that the powerful individuals and coalitions who influence board processes get their power from their knowledge and expertise, their personality and charisma, and their role as the representatives of major shareholders. Outside directors who have knowledge and expertise in a particular subject area have the greatest influence over that part of the board discussion, whilst those with strong personalities and charisma are also able to exert more influence in board deliberations. However, strong personalities can inhibit the free exchange of views and create an uncomfortable atmosphere, leading some directors to interact informally to discuss agenda issues, or to make their decisions based on circulation. Finally, board processes are sometimes influenced by the power that certain directors wield as the representatives of major shareholders. These directors are more able to influence board deliberations and decisions and to incorporate the interests and views of their shareholders into these deliberations and decisions.

8.4.8 Effects of Omani Culture on Board Decision-Making Processes

The findings indicate that Omani culture influences board processes in a number of ways. The main cultural aspects that influence board decision-making processes are the cultural environment, Omani society's traditional respect for high social status and age, and its emphasis on social ties and flattery. Collectively, these cultural factors reduce board efficiency by encouraging directors to avoid productive disagreements during decision-making processes. The Omani cultural environment that dominates the childhood experience of some directors does not encourage these directors to express their personal opinions in public. Further, it makes directors avoid provoking a confrontation and getting into arguments with other directors in board meetings.

The cultural emphasis on respect for older and high-status directors is maintained during board decision-making processes. Other directors tend to listen and accept the opinions of these groups without challenge, making them more influential in board decision-making processes even to the extent that they can override the wishes of the major shareholder. Similarly, the cultural emphasis on maintaining social ties means that directors from the same family or tribe or who are friends tend not to challenge their relatives and friends, instead supporting one another's opinion or remaining reticent, even though they may represent different shareholders.

Finally, individuals may flatter each other during board deliberations, to be diplomatic, to spare the feelings of other directors or help them maintain face in front of the CEO/executive team, or to avoid conflict and friction within the board. However, these compliments only seem to take place when the decision being deliberated does not have consequences that could significantly impact the business, or when it is associated with less cost. When disagreements do occur, the influence of Omani culture means that directors express their dissenting views in a respectful and polite manner and language, taking into consideration the other directors' feelings. Further, Omani culture's emphasis on quiet reflection means that complex company issues are dealt with slowly and carefully, making it easier for disputes and conflicts to be absorbed and for directors to reach a consensus.

8.5 Implications and Contributions of the Study

This study has been conducted at a time when the Omani government is attempting to improve the business and investment environment in the country to attract domestic and foreign investment in the market (see Chapter 2). It provides evidence that will enhance the government's understanding of the processes by which boards of directors in Oman influence decisions and the factors that influence board processes and work. This will help policymakers in Oman and similar contexts to make governance reforms and improve the board decision-making context, promoting an attractive business environment for domestic and foreign investors alike. The study should also enable boards of directors in Oman and similar contexts to understand how to make processes more efficient so that they produce positive outcomes. The findings of the study provide the following implications, which may assist policymakers and boards of directors in making governance reforms and enhancing board decision-making processes.

8.5.1 Implications for Policymakers

The findings offer evidence that closely held ownership, which is common in Oman, has a significant impact on board decision-making processes. Oman's Company Law allows shareholders to elect a certain number of directors to represent them, according to how many shares they have in the company (Article 76). As demonstrated by this study's findings, this gives significant power to the directors who are elected by major shareholders; they can ensure that these shareholders' agenda and interests are incorporated into board deliberations and they can exert great influence over board discussions and decisions. The regulations in Oman should therefore be reformed to eliminate the ability of major shareholders to appoint more directors and instead offer all shareholders equal representation on the board, irrespective of their shareholding percentage. This may also help protect minority shareholders from the control of families and major shareholders which, if made explicit in the law, is likely to encourage both foreign and domestic investment in public companies in Oman. Greater emphasis needs to be placed on board independence, and on outside directors' independence from major shareholders.

Second, policymakers in Oman have not given sufficient normative and prescriptive consideration to the processes by which boards should perform their roles and make decisions. The results of this study highlight the impact of formal and informal processes on board effectiveness. Board performance and decision outcomes are affected by directors' engagements and interactions inside and outside formal meetings with one another, and with executives, auditors, shareholders and consultants. However, whilst the board process literature has highlighted the importance of board interactions in formal meetings (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Minichilli et al., 2009; Minichilli et al., 2012; Zona and Zattoni, 2007; Wan and Ong, 2005) and agenda formation (Peebles, 2010) and called for greater normative consideration of these interactions, the findings of this study show that informal interactions are equally vital and equally deserving of such attention. Informal processes can either greatly benefit or greatly damage board decision making, but careful normative and prescriptive consideration may help mitigate any adverse impacts.

Finally, the findings of this study reveal the cultural and contextual factors that policymakers need to consider when reforming the regulations to improve governance practice and create a more effective corporate governance system. Policymakers may consider introducing provisions that prevent directors from serving on boards in which they are closely related to other directors or the CEO. They may also need to offer workshops to educate directors on (i) the adverse influence certain cultural aspects can have on boards' work and (ii) how they can interact and make decisions in a more professional way, particularly when interacting with high-status and older directors.

8.5.2 Implications for Boards of Directors

The findings of this study also provide a number of important implications for boards of directors. Challenging the literature that perceives board structural attributes as having little or no relevance to board effectiveness (Minichilli et al., 2012; Zona and Zattoni, 2007; Roberts et al., 2005; Wan and Ong, 2005), the findings highlight the importance of board structural attributes such as board knowledge, leadership skills and independence. For example, the board must contain directors with both a diverse range of knowledge and experience and industry-and company-relevant knowledge and experience if it is to challenge the CEO/executive team and offer technical advice. A number of participants described their board as having a diverse knowledge base but as lacking directors with knowledge and experience in the industry and business of the company. In this context, directors are less able to challenge and advise the CEO/executive team on technical and strategic issues. The findings highlight the importance of director independence in enabling directors to make decisions on purely rational grounds rather than to serve the interests of a particular shareholder. These issues together highlight the importance of employing a rigorous director selection process that considers the needs and interests of the company, and of choosing the board chair carefully. Boards must be led by individuals who have the knowledge and leadership skills to facilitate constructive and efficient processes, and who are independent (i.e., not representative of major shareholders). Only then will outside directors feel free to challenge and share their views on any agenda item. The role of the board chair is vital in creating a board that is interactive and cohesive.

Second, the findings shed light on the processes by which boards can enhance their performance and decision-making efficiency to achieve positive outcomes. They show how vital it is for directors to prepare for meetings in order to enhance their understanding of company issues and board agendas and to enable them to influence decisions and contribute effectively to board deliberations. Apart from reviewing the information package, preparation may also involve informal engagements and interactions with the CEO/executive team and other directors, and individual research on company and agenda issues. However, the findings warn directors against engaging in political activities and forming coalitions for the purpose of thwarting the CEO/executive team's influence or attaining their personal interests; directors should instead work towards cohesion and efficiency and place the interests of the company at the top of their priorities. The study reveals the importance of directors using their knowledge and experience and expressing their opinions without hesitation. Minority dissenting directors should be able to argue their point with other directors and not feel obliged to change their opinions and support the majority view if they are not truly convinced.

Finally, the findings indicate the need for directors to maintain professional, respectful, trusting and harmonious relationships among themselves and with the CEO/executive team so that they can perform their tasks efficiently. The interests of major shareholders should be aligned with the company's interests, and only the positive aspects of the Omani culture (i.e., the emphasis on respect and quiet reflection) should be allowed to influence board deliberations. Without this, as evidenced in this study, opinions and decisions risk being based on prejudice, political and vested interests, social considerations (e.g., status and age) and nepotism rather than rationalism and professionalism.

8.5.3 Contributions to Knowledge

The thesis makes at least five contributions to knowledge and the corporate governance and board of directors literature. First, studies of boards of directors have focused largely on the effects of board structural attributes such as leadership and composition on company-level outcomes such as performance, executive compensation, dividend pay-outs, corporate reporting and social responsibility (e.g., Chen et al., 2017; Shaukat et al., 2016; Yekini et al., 2015; Conyon, 2014; Mangena et al., 2012; Bear et al., 2010; Payne et al., 2009; Abdelsalam et al., 2008; Elsayed, 2007; Cheng and Courtenay, 2006; Peng, 2004; Haniffa and Cooke, 2002; Core et al., 1999). This literature has enhanced our understanding of the role of certain board structural attributes in facilitating positive outcomes, but it has not shown how boards achieve these outcomes. As a number of authors (McNulty et al., 2013; Huse et al., 2011; Roberts et al., 2005; Pettigrew, 1992) point out, board processes have received very limited attention in the board literature, despite their accepted importance to board task performance and effectiveness (e.g., Minichilli et al., 2009; Minichilli et al., 2012; Zona and Zattoni, 2007; Wan and Ong, 2005). This study extends the literature by providing an understanding of the processes by which positive outcomes are achieved.

The few studies that have examined board processes have generally limited their attention to board processes inside the boardroom (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Huse et al., 2005; Samra-Fredericks, 2000), board agenda processes (Peebles, 2010), board engagement in strategy (McNulty and Pettigrew, 1999) or sub-committee processes (e.g., Clune et al., 2014; Hermanson et al., 2012; Beasley et al., 2009; Turley and Zaman, 2007; Gendron and Bédard, 2006). The second contribution of this thesis, therefore, is that it adds to the board process literature and provides a richer understanding by examining and providing evidence on board processes both inside and outside the boardroom, including preparation processes and political processes.

The study also contributes to the board process literature by providing a framework for future research into the processes by which boards of directors influence company decisions and consequently, company outcomes. No such framework has yet been offered (e.g., Pugliese et al., 2015; Bezemer et al., 2014; Bailey and Peck, 2013; Peebles, 2010; Beasley et al., 2009; Turley and Zaman, 2007). The developed framework offers a holistic view of the board's engagements and interactions with various important constituents, and the board structural attributes and factors that influence decision-making processes and company-level outcomes assisting future studies aiming at examining board processes.

Fourth, the study deploys a range of theories including social comparison theory (Festinger, 1954), persuasive arguments theory (Burnstein and Vinokur, 1973; Burnstein and Vinokur, 1975; Burnstein et al., 1973) and power circulation theory (Ocasio, 1994; Selznick, 1957) to examine board processes, rather than the concepts (e.g., effort norms, use of knowledge and skills, cognitive conflicts) that are usually applied in investigations into board processes (e.g., Zona and Zattoni, 2007; Wan and Ong, 2005; Forbes and Milliken, 1999). These concepts do not provide much explanation on how the final decisions are achieved. Whilst the theories employed in this study were found to complement one another in explaining how boards eventually reach decisions. Some board decisions are best explained by social comparison theory (Festinger, 1954) in that directors exchange and compare opinions, and the decision reflects either the majority opinion or that of the most knowledgeable director(s). However, other decisions are best explained by persuasive arguments theory (Burnstein and Vinokur, 1973; Burnstein and Vinokur, 1975; Burnstein et al., 1973) in that they are the result of directors backing the most convincing argument from a variety of arguments presented in the meeting. Yet other decisions are best explained by power circulation theory (Combs et al., 2007; Ocasio, 1994; Selznick, 1957) in that they are the result of directors or the CEO/executive team lobbying other directors to create coalitions. However, such coalitions are not always strong enough to exert real influence; their success depends on them being able to lobby the majority of directors outside formal meetings to counterbalance the influence of other individuals and coalitions.

Finally, the study contributes to the literature in its choice of context. Previous studies on board processes have been conducted in developed countries (Pugliese et al., 2015; Bezemer et al., 2014; Peebles, 2010; Beasley et al., 2009; Turley and Zaman, 2007; Gendron and Bédard, 2006), but the researcher has been unable to find any board process studies based on developing countries. The study extends the board process literature to developing countries by providing evidence from Oman. The findings demonstrate the influence of Omani context and culture in board decision-making processes suggesting the importance of considering country's context in board process literature and governance reforms.

8.6 Limitations and Future Research

As with any piece of research, this study is subject to a number of limitations. First, the outside directors who participated in this study were identified using purposive and snowball sampling; whilst this enabled the researcher to access well-known directors with experience of serving on multiple boards – which might otherwise have been difficult – it does mean that the findings may not be generalisable to all listed companies in Oman. The study adopts a constructivist approach and uses a small sample, but future research into board processes in Oman might adopt a positivist approach and involve a large-scale inquiry, allowing the findings to be generalised.

The second potential limitation is the study's reliance on outside directors' self-described experience and perceptions as its sole source of data. These responses are inevitably subject to interviewee bias, though efforts were made to mitigate its effect by gathering multiple perspectives from directors representing different shareholders and serving in a range of companies and sectors. Future research might address the issue of board process using a post-positivist approach and employ quantitative as well as qualitative data collection methods so as to offer scientific explanation alongside subjective qualitative interpretation.

A further limitation in terms of the potential for interviewee bias is the fact that all the interviewees in the sample were male. The limited number of women directors serving on the boards of listed companies in Oman and the difficulties in reaching them meant that it was not possible to find female interviewees for the study. Future research might compare the perceptions of male and female directors to investigate whether gender diversity within the board has an impact on board processes.

The fourth potential limitation is that data was collected only from outside directors. Boards of listed companies in Oman comprise only outside directors, but future studies might also include CEOs/executive teams in the sample. It might be interesting to understand how CEOs/executive teams perceive board processes and to compare their responses with those of outside directors.

Fifth, the study confines its attention to the boards of listed companies in Oman. It is unclear whether the findings of this study can be generalised to the boards of unlisted companies, given that the boards of such companies are not legally required to comply with the Oman 2016 Corporate Governance Code (i.e., they are not obliged to be comprised solely of independent directors but may also appoint executive directors, and they may combine the board chair and CEO positions). Future studies might examine board processes in the boards of unlisted companies (e.g., large private companies).

Sixth, the study examines board processes as of 2017 (the pilot study) and 2018 (the main data collection), but it cannot offer insights into changes in board processes over time. Longitudinal research on board processes could provide important insights and enhance our understanding of whether board processes are becoming more heterogeneous or homogeneous over time and why.

Seventh, whilst this study enhances our understanding of how directors interact with one another and with the CEO/executive team, employees, auditors, consultants and shareholders to initiate and influence agendas and prepare for and make decisions in meetings, more research is needed to examine how these processes affect company outcomes. This will improve our understanding of why these processes matter to company outcomes such as performance, disclosure, executive compensation, dividend pay-outs, corporate social responsibility and corporate reporting.

Finally, our knowledge of board processes in other developing countries is still very limited. One useful step would be to conduct comparative studies of developing countries. This would enhance our understanding of board processes as it would enable us to identify cross-cultural influences on these processes.

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Appendices

Appendix 5.5: Background of Main Study Participants

Name	Qualifications	Length of time serving on boards	Board representation and position	Career background	No. of board memberships
Talal	PhD in Finance. Master's and BA in Economics.	10 years.	Represents the company he works for.	University academic before joining a holding company as Group Investment Manager.	2 listed companies (industrial sector and financial sector). 3 unlisted companies.
Fahad	Bachelor of Business Administration. MSc. PhD in Business.	6 years.	Represents himself as the company's largest shareholder. Chair of risk committee.	Businessman.	1 financial institution. 3 closed joint-stock companies, but they are still seen as international.
Yahya	Three Master's degrees. Bachelor in Money and Banking. Two professional training certificates.	13 years.	Represents family companies. Independent director. Serves on audit, investment and executive committees.	Banking industry for 30 years, at executive level for 20 years. CEO.	2 unlisted family businesses and 2 listed on MSM (insurance company and non-insurance company in the financial sector).

Ali	Doctorate in Business Administration focusing on economics.	23 years.	Represents major shareholder (the founder of the company). Independent director. Board chair at one company.	Academic.	2 companies listed on MSM (industrial sector and financial sector).
Hamed	Bachelor of Science in Business Administration. CPA Certified Public Accountant. Master's in Business Administration.	10 years.	Represents the investment company that he works for. Serves on the audit committee.	General Manager at an investment company.	2 companies listed on MSM (financial sector and industrial sector). 2 private companies in UAE and US.
Khalid	Bachelor in Civil Engineering. Master's degree.	18 years.	Independent. Board chair in one listed company.	Retired CEO. In private sector from construction to industry to marketing for 21 years and 11 years in government civil service. Total experience of 32 years.	Previously in 3 listed companies. Now in 1 listed company in service sector and 1 government closed company.

Faisal	Master's degree.	13 years.	Represents private shareholders at the service company. Represents the company he worked at. Deputy chairman in 2 companies.	Retired CEO of a service company.	2 public listed companies (service sector and financial sector). 1 local fund. Previously in 1 listed construction company, 1 pension fund and 1 government company.
Naif	Agronomist. Master's in Business.	16 years.	Represents himself. Independent. Represents the company he works at. Board chair in two companies.	Chairman of a closed company. Previously CEO of a number of publicly and closely listed companies.	3 public listed companies and a number of unlisted companies (all in industrial sector).
Issam	Master's degree.	5 years.	Represents his family.	Stock market brokerage company. Previously worked at a company, now at a fund.	1 listed company (industrial sector).

Suliman	Bachelor in Business Management.	18 years.	Represents the company he works at. Independent.	Head of investment company, also worked for government in management and financial affairs.	3 listed companies. All three sectors.
Musa	Master's in Business Administration.	18 years.	Independent. Represents majority shareholders.	In the private sector for more than 23 years in different sectors (banking, real estate, education, investment and industrial).	3 listed and 5 unlisted companies, with local, regional, and international exposure. All three sectors.
Issa	Master’s in Finance and Accounting. Certified Compliance Officer.	17 years.	Represents his holding company. Independent. Chairman of 3 audit committees and member of executive committee.	CEO of a holding company.	4 listed companies and 3 closed companies. All three sectors.
Imad	Economist. Post-graduate qualification in Development Planning Techniques.	23 years.	Represents private sector. Represents the government. Represents a family company.	CEO of a government company.	4 listed companies. All three sectors.

			Chair of nomination and remuneration committee. Serves on executive committee.		
Haitham	MBA. CFA. CAIA-chartered.	16 years.	Represents the pension fund he works at. Independent. Chairman of the audit committee and credit committee.	Head of investments at a pension fund.	4 listed companies. All three sectors.
Adil	Bachelor in Electronics and Communication. Master's in Finance. Master's in Petroleum Engineering. PhD in Economics.	28 years.	Represents his family. Represents the company he worked at. Independent. Serves on executive committee.	Retired CEO. Worked in oil sector, a logistics company and an Omani listed public company.	4 companies listed in Egypt, Pakistan, Lebanon and Oman (industrial sector and financial sector).
Yasir	UK-qualified (1979) chartered accountant. BA.	30 years.	Represents the company he works at. Independent.	Previously worked at KPMG.	Has served on 16 listed companies. Now on the board of 1 insurance company (financial sector).

			Previously served on audit committee, now chair of investment committee.	CEO of an investment company for nearly 20 years. Now, CEO of a family company.	
Majid	No qualifications.	25 years.	Represents the pension fund he works at. Chairman of two boards.	Head of a pension fund.	4 listed companies. All three sectors.
Hashim	Bachelor in Accounting. Master's degree.	15 years.	Represents the company he works at. Represents a major shareholder. Head of audit committee.	Investment manager.	4 public shareholding companies. All three sectors.
Yunus	Master's in Civil Engineering	30 years.	Represents himself. Represents partnership business he established with other people. Chairman of two companies.	Has formed about 20 companies with other partners operating in construction, oil and gas, trade and real estate.	Several private and public companies. Now on 2 public companies (industrial sector and services sector).

Ibrahim	Electronic Engineer.	8 years.	Represents the company he works at.	CEO of one of the SAOC companies.	2 listed companies (financial sector and service sector) and a number of unlisted companies.
Ameen	Bachelor's degree. Master's degree.	26 years.	Represents his family business. Chairman of several companies.	From a business family. Through their investment company, they have formed many holding companies in education, oil and gas, construction, minerals, finance and leasing companies.	4 listed companies. All three sectors.
Rami	CPA. MBA.	19 years.	Represents the bank he works at. Independent. Chairman of the audit committee. Serves on the investment committee.	General manager in a bank.	3 listed companies (industry and oil sector, services sector).

Zakaryia	MBA.	5 years.	Represents the company he works at. Independent. Board chair. Chair of audit committee at one company. Member of executive committee, investment committee and credit committee at other boards.	CEO and chairman of an LLC company.	4 public companies (financial sector and services sector) and 2 SAOC companies.
Hamdan	Mechanical Engineering.	6 years.	Represents the company he works at. Serves on executive committee.	Head of the private equity investment division.	2 listed companies and 3 LLCs (industrial sector).
Abdulaziz	PhD in Agricultural Sciences.	10 years.	Represents the company he worked at.	Retired CEO. Businessman.	3 listed companies and 2 LLCs (industrial sector).
Adnan	BA.	Over 30 years.	Represents himself in the fund of the bank that he worked at. Represents the government in other public companies.	Retired CEO of a bank.	2 listed companies (financial sector and services sector).

Bassam	MSc from UK. Chartered Fellow of Institute of Securities and Investment.	Over 30 years.	Represents himself.	Chairman of a leading government centre. Chairman of a financing company.	3 listed companies (industrial sector).
Laith	BA.	12 years.	Represents the company he works at.	CEO of an investment company.	4 listed companies (financial sector and industrial sector).
Salim	BA in Economics and Finance.	22 years.	Independent.	CEO of an investment company.	4 listed companies (industrial sector).

Appendix 5.6: Interview Guide

Interview Guide

The Roles of Boards of Directors in Omani Companies: A Study of Board Processes

Thank you for agreeing to my request for an interview. The purpose of this interview is to understand the role of your board of directors and the processes by which it influences decisions in the company. In addition, it aims to understand the factors that affect decision-making processes in the board.

Section One: Background about respondent

This section seeks to obtain a brief background on the participant.

1. Please briefly describe your personal and professional background, and how you became a member of this board of directors?

Section Two: Board Roles

This part of the interview seeks to understand the roles of the board of director of which the participant is a member and how he/she contribute to board's role.

2. Please describe the actual roles of the board of directors of which you are a member. What is your personal role in supporting the board perform these roles effectively?

Section Three: Formal Processes

This section aims to understand the engagements and interactions board members have in formal settings and meetings.

3. How often does the board of which you are a member meet in a year? How are the agendas for the board meetings prepared? Who determines the agenda items and the information included in the information package (e.g., management, board chair, large shareholders)? What role, if any, do board members and sub-committees have in putting together the agenda?

4. In your experience, to what extent do you and other board members (i) carefully examine and evaluate the information provided by management before the meetings, (ii) actively collect further information to that supplied by management? What

additional information do you or other members gather, and from what sources? How do you use this additional information?

5. Please describe the nature of business matters or issues that your board normally deal with, and the type of discussions that take place among the board members in addressing these matters and making decisions. To what extent do you think the nature of business matters or issues under consideration influence these discussions? What role is played in the board discussions by i) board chair (ii) outside directors (iii) CEO/executive team (iv) board committees?

6. In your view, to what extent do your board members apply their knowledge and exchange their views openly in any meeting? How does the final board decision reflect the different directors' views? Can you give example of an important strategic business matter you made as a board and the engagements and discussions that took place to reach the decision?

7. Can you recall and, if possible, give some examples of instances where board members had significant disagreements or conflicts during the discussions? How were these or how are such disagreements or conflicts resolved to reach a decision?

Section Four: Informal Processes

This section aims to understand the engagements and interactions board members have in informal settings and meetings.

8. In your experience, to what extent do communications and discussions on board matters and issues take place outside the formal board meetings? What is the nature of the business and the types of issues that are normally discussed outside formal board meetings? Who is involved in these informal communications/discussions?

9. How and where do these informal communications and discussions take place? What triggers/causes these communications/discussions to take place outside the boardroom? How do these informal discussions assist/influence the formal board meetings (e.g., the board meeting agendas and discussions)?

10. In your view, what factors facilitate and enable these informal discussions to take place between these involved individuals outside the boardroom?

Section Five: Factors affecting board processes

This section seeks to understand the factors that affect board decision-making processes in the perception of the participant.

11. In your view, what factors facilitate or influence the discussions among board members in the formal board meetings?

12. How would you describe the nature of the relationships (i) among board members, and (ii) between board members and CEO/executive team? How do these relationships influence both the formal and informal engagements of your board of directors in dealing with board matters and making decisions?

13. To what extent are board discussions or decisions influenced by powerful individuals/coalitions among board members? To what extent does this differ with the nature of business matter and issue under consideration?

14. In your view, what role, if any, does certain aspects of Omani culture play in board discussions and decision-making?

15. In your view, what are the other factors that influence the work of your board of directors in the decision-making processes?

That brings us to the end of my questions. Is there anything that you feel you would like to add?

Appendix 6.2.1a: Role of the CEO/executive team and the board chair in the agenda process

“The agenda is determined by the management. But they discuss it with the chairman before something is added.” (Rami)

“Determining the agenda, a lot of the work is done by the management and getting also the chairman’s involvement.” (Hamed)

“But normally, the agenda will be set by the management and then they discuss it with the chairperson.” (Haitham)

“The agenda should usually be taken care of by the chairman and the executive management.” (Issam)

“The executive management determines the agenda initially, but they discuss with the chairman first.” (Khalid)

“The agendas are normally [decided] between the chairman and the CEO. The normal procedure is the CEO sends the agenda to the chairman, and the chairman decides on the agenda. And if there's any other matters, the chairman may add [things in] from the previous meeting.” (Yasir)

“The chairman has to approve the agenda before the board meeting.” (Ibrahim)

“Normally, the executive management will determine the agenda.” (Ali)

“The majority of the agenda items, maybe 90%, are set by the management.” (Zakaryia)

Appendix 6.2.1b: Role of outside directors in the agenda process (the formal processes before or during the meeting)

“If we have anything, we raise this strictly through the chairman and then the chairman approves and then it will be discussed in the coming board meeting.” (Issam)

“In the end, it's the board’s decision to say whether a subject will be discussed or not, taking consideration of the minimum requirements as per the rule: approving the financials, the budget, and other things included in the corporate governance report…... But mainly at the beginning of the meeting, the chairman asks, ‘Does anybody want to add any subject to the other business item?’ We add it if we have.” (Issa)

“Of course, the board members have the right to change and amend any agenda.” (Ibrahim)

“Management is the preparer of the agenda. But the information is usually subject to board-level attention, and the board can request certain reports or items to be added. Also, the board can request items to be included in the minutes of the meeting and that would depend on the importance of the items.” (Musa)

"We ask sometimes for additional reports on the agenda management brings. For example, on the internal auditing or anything similar to this…... We as directors or chairman also include in the agenda the matters that we want to discuss with the management and also at the beginning of the meeting, the board chairman asks if anyone wants to add any subject to the agenda and in many cases, we add certain subjects to the agenda, and the board chairman agrees to that in all companies." (Hashim)

"If there is any item that the members of the board of directors would like to discuss in the following meeting, we notify the management two weeks before, with the consent of the board, which will give management sufficient time to prepare the discussion papers. Each member of the board wishing to add an item needs to make a request to the secretary. The secretary sends this request to the chairman of the board and the rest of the members. If approved, it is then added to the agenda." (Talal)

"If there is any member who wants to add any agenda items to the discussion, he will inform the board chairman and the secretary that, 'I have an agenda item to offer because I have found out this piece of information and I know this will affect our company and I would like the board to discuss it and give a direction in regard to this.'" (Majid)

"Each member of the board has the ability to communicate any agenda item he deems appropriate for discussion in any board meeting. Before the meeting, the board secretary is contacted and provided with the topic for discussion. The agenda is sent directly with the topic information and background." (Fahad)

"As soon as the agenda is approved, they put other subjects to be discussed during the meeting. It has to be approved by the chairman and the rest of the board. Last time, for example, I asked for more documents on certain instructions and we discussed this in the next meeting and we changed some of these instructions after we had reviewed the documents. Sometimes, it happens we determine agenda items. But the agenda must be approved by the chairman." (Yahya)

"Sometimes, because they have to send the agenda two weeks ahead of the meeting, there are issues which need to be added into the agenda. So, we have an agenda item which says new issues, with the chair's approval. So, if the chair and members accept, then that subject will also be discussed." (Faisal)

"If any board member wants to raise any point or add anything to the agenda, when he has received the pack, he is most welcome. We will contact the board secretary if someone wants to add an item before the meeting. I can also add other agenda items, which can be raised then in the meeting" (Hamdan)

"Then in the board meeting itself, the chairman will usually ask if there are any other matters to be added to the agenda. Usually, a board member or the chairman will have something he wants to present for discussion in the meeting, and then it will be recorded as a new item." (Naif)

“The chairman may want to ask all the board members, ‘Is there any item you would like to add?’ Usually it goes like this. We give them the freedom. If not, that is the agenda.” (Yunus)

“If directors want to propose an issue, it can be communicated and normally it is done by group emails. In advance, at least a week before the meeting takes place, an agenda list will be circulated. If a director has any points that need to be added or to be deleted, they will normally communicate collectively with the management, and in that way, we will have an agenda that is agreeable to all. There is an item also in the agenda, any other business, in case there is not enough time to cover some of the issues or there may be issues that may come up between the time the agenda has been circulated and the meeting, so this can be put under the last item which is any other business.” (Ali)

“If board members have any items to add, he will address it. We’re using email with everyone in the loop. If members have anything to add, we directly address it to the board secretary to add it while keeping, of course, the other members informed as well, in addition to the management. Some items occur even on the day of the board meeting as any other items. These are usually either urgent things that came up with not enough time to plan it, or some of them are just administrative things to get done.” (Hamed)

“In the meeting, when we start, the chairman says, ‘Is there any other matters anybody wants to add?’ That’s the beginning of the meeting. So, any member who has any new item they want to add, they add it to other matters with the permission of the chairman.” (Adil)

“Of course, if any board member wants to set an item or add a new item to the agenda, they have to submit it in writing two weeks before the board meeting. If a board member wants to add something new that he wants to discuss. And also, board members have the right to add items to the agenda if they wish after it has been circulated to us.” (Haitham)

“Board members can add agenda items also if they believe there are issues that should be discussed by the board.” (Khalid)

“But board members are usually business people; they have networks in different sectors. If they want to do some business of their own but cannot, they have to bring it to this company. 10% of the ideas or the growth comes from the board members because their role is to set the rules, guidelines, and make sure of implementation. But if they get any ideas for a new business that they cannot execute by themselves because of lack of resources, they will bring it to the company, and they might also share and make another company chip in.” (Ameen)

“Sometimes, directors will ask for an update on X project, an update on X investment.” (Imad)

“See, the agenda is open provided that proposed items make sense. I would expect to see directors have their own areas of concern; for example, I want to discuss certain areas of expected risk.” (Zakaryia)

“Sometimes, boards add things.” (Rami)

Appendix 6.2.2: Role of major shareholders in setting board agendas

"I have so many shares in a listed company which I am not a board member at, and I know another two who also have many shares in that company. And we talk amongst ourselves about it and then we find that there is a common point, I mean we agree on this, and this is an unofficial talk which may lead to something important if the intentions are clear. Then we report unofficially to the chairman and then he may put it on the agenda and we discuss it." (Yunus)

"Of course, they may add subjects internally via their directors, that's internally. Of course, that should happen if they are a representative of that company or fund or any shareholder." (Ibrahim)

"Is it shareholders who actually request that members representing them include these topics for discussion in the board agenda? Yes. The representatives of the shareholders on the board of directors may hold internal discussions that this subject should be discussed in the board of directors. It is the board member who can raise the issue and not the shareholder. They cannot unless it is done through the board member." (Talal)

"It's just through their representative, and the representative can bring up issues of relevance, and it can be debated and discussed in the board." (Ali)

"Shareholders can add agenda items through their directors." (Majid)

"Major shareholders already have their representatives sitting at the table." (Hashim)

"Sometimes major shareholders ask his representative to put a matter in agenda and discuss it." (Issam)

Appendix 6.3: The processes by which board sub-committees support the board of directors in performing its role

"The committees will discuss and do their homework and prepare what is to go and what is not to go to the board. So, if there is, for example, a business proposal and the executive committee feels like it's not working because of 1, 2, 3, 4, it shouldn't reach the board." (Zakaryia)

"We also have committee meetings before the board to discuss all the changes within the environment. There are a lot of changes happening: IT things, regulations and policy changes, and we recommend these things to the board…. Sometimes an internal auditor finds something, but it's not a major issue, or he can't put a clear opinion on top of it and I say, 'No, no, forget about it because I know other information from the other side.' Or, 'No, no, it's quite serious, go ahead and do more investigations." (Haitham)

"The internal auditor presented a report on something and I asked for his personal presence in order to know his view on the report he presented and his intentions regarding that subject and to give him the freedom to speak in detail because he may discuss issues that he doesn't want to discuss in front of the management…. If something new has occurred relevant to the company, I say to the chairman, ‘Do we call for a board meeting? Do you think that we should discuss this at the quarterly meeting or is there no need for an extra meeting?’ Also, I provide the results for what the board has asked the committee to do verbally to the board chair to update him about what they have asked us to do. Also, some tasks require me to call upon the responsible person, such as the financial controller, for a quick report.” (Hashim)

“If there is an issue, the internal auditors raise it and we discuss it with them and give them guidance in the audit committee meetings…. I heard some information about the management that sales were being stolen. We discussed it outside first. We were three members discussing it unofficially and I contacted the internal auditor and gave this job to him.” (Rami)

“We had a court case. The contractor who built the building created some problems in some parts of the building, so we formed a temporary sub-committee made up of engineers, management and [people from] the consulting office. They met and prepared a report and sent it to the executive committee. They studied it before bringing it to the board. Also, a fraud was discovered and the board took the decision to form a committee to investigate along with the internal auditor. [The committee] sent the reports to the audit committee and it was then taken to the board.” (Ameen)

“We formed a committee when there was a carving out of one of our business lines. The committee was a mix between the board and the management… assisted by an international auditing firm and reputable law firm.” (Khalid)

“If necessary, the committee can discuss an issue with the internal auditors and external auditors separately from the management team.” (Hamed)

Appendix 6.4.1a: Formal processes by which directors gather further information and clarification on agenda issues

“The interaction in and out depends on how active the board member is. If the board member cares about reading all the details, looking at the last meeting’s minutes, action points, all the items in, then they send back their inquiries within two or three days: ‘Can I know more about this? Is this what you mean here?’” (Zakaryia)

“The requests are sent by mail to the executive management and board secretary, for example: ‘Please clarify point one, two, three, four.’ Everything is clear at the meeting. Everything is in good order.” (Hashim)

“We email the CEO if we require more details. We send by email so we expect to get full details and information back also by email. Then these are circulated to all board members.” (Issam)

“The good thing about the technology and software now is that we can share our comments even before the meetings, so I consult with the CEO that, ‘This item is not clear, what do you mean by this?’ Or I say I want more information. So, the management and other board members will be more prepared if they know what my comment is in advance.” (Haitham)

"Usually, the management will provide all of the information, but directors can ask the management if anyone needs clarification or more information." (Yasir)

"It could happen especially with new projects that directors are not familiar with. For example, directors who are specialists in tourism will have no idea about a project if it's about investing in the oil industry. It does happen that directors ask for more information and clarification from the management, and this is then circulated." (Majid)

"Also, while reading such information, I communicate with the management and there may be a request for additional information. But the request for additional information is also made through the chair of the board." (Talal)

"If we want more information, then we'll say, 'Please provide us with this or I want this information.' They might not be ready in that meeting and then they bring it to the next meeting. As a matter arising from an agenda item, it will be minuted. We should minute that thing, otherwise we will forget it later." (Rami)

"Sometimes, if the board needed further information, we requested it from the management or auditors, internal auditors." (Musa)

"If there are critical issues that require more attention or information, we correspond with each other via email. The same mail can either be for the whole group of board members, or it can be for selective members who have specific responsibility, for example, through board committees." (Ali)

"That will be communicated fully with the executive management and what will happen in a normal circumstance, directors raise questions or request other information and they will get answers by email." (Khalid)

Appendix 6.4.1b: Informal processes by which directors gather further clarification on agenda issues

"Of course, we as board members have the right to call the management and to clarify everything, not necessarily at group level. Any director can pick up the phone and ask the management because what I am asking about is clear to other members and they understand it. Sending the agenda and information to each board member means that board members will have a lot of inquiries and questions. Some of the items are very straightforward and the decision is easy to make, but some of them are not clear and I may need to go and clear them up. So, we do those kinds of meetings where some board members call management to come and explain each item in an informal kind of meeting. They like to get educated before reaching the board meeting because they want to make a decision in the board." (Ibrahim)

"Sometimes, I inquire about something that is not very clear. For example, I may need to communicate by email or phone with the executive manager to inquire about a certain topic, or to ask what specifically did he mean." (Hashim)

"If I had the information beforehand, it would be possible to call and get in touch with the executive management or the responsible manager to clarify an issue." (Fahad)

“When I receive the company cash flow statement for the next five or 10 years, I need to dig deeper and get more details to know from where we're getting this shortage or surplus and what we need to do more. So, I call the management or pay them a visit.” (Issam)

“Sometimes a director will call the finance man, or the GM, or the CEO, or a respected manager to come into the office and explain what’s been given to him in the documents for clarity. It is okay to do this.” (Khalid)

Appendix 6.4.2: Outside sources of information through which outside directors gather additional information and how they use it in meetings

“I always search the internet to gain insights into the diverse sectors in the markets where we operate, and the potential markets that we may wish to target. It might be some of the publications issued by specialised research centres. The published material may include any important financial statements or data disclosed by public shareholding companies that are accessible. In addition, I also analyse the financial ratios of these companies and compare them to ours to determine the quality or lack of it when it comes to meeting some of the criteria and objectives. Therefore, I always have my own database handy.” (Talal)

“There is a huge amount of data available online to help us understand matters and help us form educated opinions. This data can be supportive to management or it can challenge what has been presented and it can probably provide an alternative to what is being presented.” (Musa)

“I get that from the industry. For example, if we are talking about an investment company, I research its return on assets, return on fixed deposit, return on the market, market performance. I know this from the industry.” (Yahya)

“We will try to gather information from other companies who are dealing in the same line just to make sure that what management is doing is correct, because every success in a company I am part of is my success. Actually, when we look for resources, we have to make sure that we compare apple to apple. For instance, if we are going to invest in a university, I will not go to England or America to compare. I want to compare in Oman, or maybe Dubai, or maybe Qatar, or something in the region where things are alike. The main income of the government is from oil and the population is very small compared to India and others.” (Ameen)

“Directors are in the market. If there are three companies, we will be able to see if our results are not up to that level. Whatever excuses they bring, we should get the information from the market and we should always read outside to know about other companies and analyse.” (Rami)

“Of course, some people want to compare by checking the economic and sector-related bulletins. I have to be aware of this information and try to reconcile it with the work of the company where I am a member. It means that this information can be discussed in the board and made as useful as possible to serve the best interests of the company." (Suliman)

"Some companies are publicly listed like us, so all their books, all their financials, everything is in the open, so I have to go and see who my competitors are and what they are doing through their annual reports, quarterly reports." (Hamdan)

"Sometimes from our own connection and contacts we do compare. We're gonna discuss these proposals with outsiders surely. Yes, it's a confidential information, but sometimes we do share with people we know without going into details of that proposal and the company as it is confidential to disclose all the information." (Imad)

"I benchmark. For example, if management is saying that, 'We are not performing well because the whole market is not performing well.' We can highlight that, 'You're not performing well but such-and-such company in the same market is doing well and gaining market share.'" (Hamed)

Appendix 6.5: Processes by which boards of directors and CEO/executive teams build coalitions and lobby decisions

"Whenever anything comes up that we are not aligned with, directors will lobby as many other directors as they can to be on their side. For example, I sit with the chairman, 'This is our plan. This is what we think we should do.' Or, 'No, I don't believe in selling this asset.' I go and put my point to him, he has an influence on the rest also. If I can get that through, we're in good. If I don't, then I will lobby board member by board member." (Hamdan)

"If I feel a project is of personal interest to some directors, I will not discuss it in the meeting because they will feel that it's a direct hit on them. So, first, I do it outside to gauge the positions of the other members and to warn them about this project, 'In this project, we have two god fathers for it in the board, please be careful. Read it well. Don't just hesitate. Don't be fooled. Just read it well and know that those two people have an interest in it.'" (Ameen)

"Imagine a director has a company which is in conflict with the company whose board he sits on, and the CEO knows that man's background and that he has a big shareholding in the other company. The CEO may try to avoid it, but the director will lobby for his interests. You can see this in real life." (Majid)

"I believe it depends on the individual case. Sometimes, it looks like we are lobbying." (Issam)

"It's been discussed from a different angle sometimes; if a director wanted to influence the decision in a very important case, we would talk to other members informally, tell them about it. It is something that board members sometimes resort to if they feel they need extra support for the subject under discussion….. Management promotions is one of the issues that sometimes needs better lobbying. In my case, if I want to reward the management for good performance, I would lobby for it outside the boardroom." (Naif)

"If I know that that other board members have a conflict of interest in the company and I want to stop them, I will do this. This is life; this is life. If a wife feels that her husband is not being open with her, she will go through his mother or sisters. Or maybe her mother." (Issa)

"I have seen the practice happening in most good companies; the management visit directors in their offices to discuss sensitive issues and say, 'We know that so-and-so members are sensitive about this issue, but we know you are independent, and these things and the background cannot be addressed in formal discussion.'" (Majid)

Appendix 6.6.1: Implications of board preparation for decision-making processes

"Some of the issues, no, the management will request to go through with the board, or the board will request the management to present and answer questions they have been given in advance, and that makes it so easy when directors come fully prepared." (Khalid)

"If every director on the board is able to find more sources to ask and to prepare, that will only make the discussion more fruitful." (Ali)

"The meeting will be more efficient because when I ask a question, the management don't say, 'Okay, we'll come back to you.' That is because I have asked this question two weeks earlier: 'What do you mean by this item?' or 'This number doesn't match with this number in the document that you provided.' So, it's basically giving notice to the management in advance of what kind of things directors need more information on, or where more explanation is needed, or if there is a mistake in the number for something and so the management will be aware of that, and they can answer it even before the meeting. So, the efficiency and the functionality of the meeting will be fast and we can be done with the meeting within two or three hours." (Haitham)

"Sometimes it's a pain because instead of having this matter done in 10 minutes, or half an hour, or one hour, we'll still be there for three hours because he [the unprepared director] has to understand! Okay, he has the right to understand, but he should prepare himself earlier." (Imad)

"We always see in the board that one or two board members are more influential because they come ready. They have read more than the others." (Naif)

"The disaster if a director doesn't read and prepare, or doesn't read and inquire, is that it can take our meetings sometimes into hours, and hours, and hours. I would say 50% of the time, this doesn't need to happen." (Zakaryia)

"In many cases, it could be a very simple topic that gets tangled up in discussion, causing us to derail from the main points raised because members have not read the agenda. If everyone commits to reading the agenda and writing their own notes before attending the meeting, things will run a lot smoother." (Talal)

Appendix 6.6.2: Positive and negative implications of informal Processes for decision-making processes

"Informal meetings sometimes bring chemistry and synergy between people, yeah, because it's not official. No papers, no record, nothing." (Adil)

"Some members or heads of committees and the chairman resort to informal discussion in the absence of an effective board with a number of members. This facilitates the process of decision making, avoiding disputes that could lead to division in the board. The discussions may be futile and a waste of time without reaching a proper decision or someone speaks for so long about irrelevant topics. At the same time, people might feel uncomfortable trying to keep him on the right topic or even stop him from going on." (Talal)

"If we agree before the meeting that this proposal is lacking certain information or doesn't make sense, we will go to the meeting and tell the management, 'Please provide us this information.' And we'll discuss it again, or, 'Gentlemen, thank you very much. The whole proposal doesn't make sense. Let's put it in the corner.' We go collectively." (Imad)

"If they are to create problems within the board, or game of influence, then they are terrible." (Yunus)

"If it is used negatively then it becomes destructive between board directors themselves." (Majid)

"It could backfire if management selectively presents it to one director only before the meeting. There is a risk of a non-acceptance by others who might feel that they are less knowledgeable about the subject of the meeting. It doesn't always go right and sometimes it creates imbalance at the board level." (Musa)

"A director had gauged the acquisition idea and managed to convince the majority of the board and he discussed it with me. I told him, 'Go ahead, it is good, but don't tell management now, we'll do it later.' I supported it because it's a good thing for the company. Whether the management stays or not, that's a secondary issue. … When it reached the board, it was approved." (Yasir)

"Sometimes it's not in favour of the company. It's to make sure that the company is moving in a certain direction." (Ibrahim)

Appendix 6.7.1a: Conducting board meetings

"We take the attendance; who is attending, whether we have a 100% quorum or we have a person who is sick, or he is out of the country for some emergency. Then the chairman will start with the first item on the agenda. The first agenda item will be comments on the minutes of the previous meeting. For instance, the previous minutes may highlight three points we had to follow up on; we do the follow up to see what happened in those three points. Then we see the financial position of the company. We read it, then, we will address any business or any other arising matters at the end. There will be invitees; these may be the CEO and COO. It depends on the matter to be discussed in the board and who is making presentations." (Ameen)

"The chairman opens the meeting, he goes through the agenda with the secretary. First of all, after getting the quorum, we go through the minutes of the last board meeting. These are approved and if anyone has a comment, we can discuss it there. Everyone goes through the minutes and if we agree we go ahead and then we go through the financials for the last or the first quarter or second quarter or third quarter or whatever time it is and then any other subjects that come." (Issam)

"Discussions we do it on topic by topic. The management will come and give an update by making a presentation or by speaking. Nowadays, it's all presentation format. So, they come and give us an update. So, we discuss all of the update, then we look at the financials. We back and forth, everybody speaks, then going forward what we're expecting for the next quarter of the year and target, so we speak. We go topic by topic. It's mainly the agenda drives it. The CFO is also there to give us updates and explanations and to walk us through the numbers, explain to us what's happening and we ask him about that." (Hamdan)

"Well, usually the chairman is the one who runs the board of directors meeting. He is the one who leads the whole thing, so during the discussion we go through the agenda one by one." (Ibrahim)

"The chairman runs the show. First, he goes item by item. The CEO discusses the agenda items he brought to the board by doing a presentation and we go item by item." (Yahya)

"The chairman has to open and close the meeting. Of course, he looks into and discusses one item after another, after asking if anybody wants to add a new item to the agenda." (Naif)

"First, we start with reports of previous meetings and the decisions made. Then, the follow up of management execution. Second, the approval of the quarter or annual financial statements of the company, whether audited or not. Then any other reports coming from outside sources, or reports coming from authorities that we work under such as the Capital Market Authority, or the Central Bank, or any other authority that we work under. Sometimes, they have an evaluation about us, or a report, or certain remarks, an infringement we committed, etc. Managers are also there in the meeting. They come to present and explain to us and we discuss with them." (Hashim)

"Management makes sure that whatever might have an effect on company outcomes is presented and given to the board of directors." (Musa)

"Obviously, discussions take place according to the agenda. Each issue is put forward for discussion and the relevant personnel, any member of the executive management, presents the issue followed by an exchange of views." (Suliman)

"The executives come to the meeting to discuss the agenda items and present and explain to us, like the CEO and CFO." (Issa)

"Well, normally each item is opened by the chairman and then left to the CEO and his team to present it. So, it's by presentation now, and the board participates and asks questions. The sessions are interactive, with participation from all members. The CEO most of the time attends meetings, the CFO also attends meetings. They have to attend so that we can discuss the issues with them and then make decisions based on the discussion." (Yasir)

"The CEO presents the case or he asks that somebody comes from his staff. For example, on finance or the specific operation of the company, he asks his COO or CFO, they come and present. So, it's a true discussion between us and the CEO and his team." (Yunus)

"Maybe one or two people from management will be there, not all the management. The CEO will be there and somebody, if it is strategy, the strategy manager will come and present and we discuss with him." (Rami)

"Usually, there are direct discussions between members and the executive management. They have business matters to present and we talk to them." (Fahad)

"The owner of that project or that issue then presents. The HR manager presents HR issues. The CEO presents new investments. The financials are presented by the CFO. There is always a presentation within the management team." (Majid)

Appendix 6.7.1b: Board engagements in the advisory role

"The nature of issues includes investments, asset allocations, policies, and the associated risk and return. For example, the company has investments in Oman and in neighbouring countries, and they fluctuate in their nature. We may want to put more money into one country and less money in another country." (Ali)

"When I joined this company, at the first meeting we reviewed existing strategy and the business plan: whether we needed to change them or not." (Yahya)

"If someone brings a servant home to cook for him, he or she will cook what that person wants him or her to cook, right? So, he needs to teach him or her beforehand. So, when the management come, we first tell them what we are expecting from them, this is one. It means that the board tells management in the beginning we need for example IRR 15% and the return is this much and the capital investment this much and do not put all our revenues in one basket. The board puts all these criteria to the management so when the management come to the board, they know what the board wants and later on it will be just a matter of discussing each item concerning our strategy. Then once the project is okay and all the 10 points are okay and as we agreed, then we go and see the risk associated. For example, is this the right time to invest in MSM? A year ago, the market was excellent so if we had had one million Rial more, we would have put it in MSM. But now, no." (Adil)

"Other companies, like the logistics, we have to discuss how to develop this sector, downgrade to each part of the sector, like transportation, like housing, like warehousing. How to develop this. The board role is to set the strategy and the vision. We want to see this company at that level, and we have to go further by doing so and so, and the management have to start doing that." (Issa)

"We do have projects or new expansion, the development of the company that we discuss during the board meeting." (Issam)

"The strategies, plans and programmes adopted by the company for management to implement during the plan are usually among the most important issues discussed." (Suliman)

"Generally speaking, most of the items discussed are of a strategic nature. They require a proper discussion and direction from board members." (Naif)

"A key element is risk management. This is critically discussed at board level." (Hamed)

"Days out. We do it once every two years for the strategy of some organisations." (Zakaryia)

"Once a year we do a kind of a brainstorming. So, we brainstorm the company's direction: Is it going in the right direction or are we not executing the right projects or making the right decisions?" (Ibrahim)

Appendix 6.7.1c: Board engagements in the monitoring role

"The board has things it expects to be done. If they are not done, when they will be done? We have a new strategy to grow in Duqm; what happened? Why has this not been done?" (Rami)

"We had given instructions in the last board meeting: look at this, do that, so then we asked how that had been done." (Yasir)

"The matters discussed in the board are the update of all the projects; what's going on in each project, and whether we are going in the right direction or are above or below the expected cost for each of the projects." (Ibrahim)

"The issues relate to understanding the nature of the work, the working environment and the sector in which one works, because this is very important when making decisions. For example, I cannot just turn up in a company associated with the construction sector when there is a slowdown in the sector and blame management for underperforming. We have to look at the overall picture, including competitors. If the downturn in the company is greater than that of its competitors, we shall then raise some eyebrows." (Talal)

"Also, we discuss other companies' performance. We compare ourselves to other companies." (Hamed)

"We discuss the reports from the management on the quarter's performance, the update and forecast, and the targets for that year: are we meeting them? What is hindering them? For example, if it is on capex, or building a new project or something, an update on that. If reports or items were requested by the board in the previous meeting, these will be discussed." (Hamdan)

6.7.1d Board engagement in matters related to the CEO/executive team and company costs

"We do discuss if there's something linked directly to top management appointments or resignations." (Issam)

"Along with aspects of the final and quarterly accounts, remuneration of senior management, and performance and outcomes measurement are discussed." (Suliman)

"We decided to recruit a deputy CEO and, in our meeting yesterday, we got to see whether this has happened or not. We also have a lot of debates about setting better KPIs to monitor the management…... Sometimes we discuss cost factors: why are the costs up or down? Why have some costs not been adjusted? This can bring more stories. For example, when we see the rent cost go up, the CEO says the landlord increased the rent, but why didn't he fix the rent for the next five years? Or, we say instead of renting the building, let's buy a building." (Yahya)

"The government has issued a new labour law whereby the Omanisation[30] percentage will go from 35% to 45%. So, the CEO presents his execution plan: how can he move? Which section within the company can he move from 35% to 45%? Because it involves cost." (Haitham)

Appendix 6.7.2.1a: Board clarification and advice interactions with the CEO/executive team in formal meetings

"We can understand much better when the CEO explains and we then see where we can help them reach the target before the end of the year. Sometimes due to our investments, I might have exposure in a neighbouring country. So, I have a direct understanding of that market and what's going on in that market. The management will have no experience of investing or going into that market. My role is, 'This is how you enter this market. No, be slower. Or no, go aggressive. Or no, go and open a branch, or do it through a trade office.' So, we advise." (Hamdan)

[30] Omanisation is a national plan for increasing the number of Omani employees in the private sector by replacing expatriate employees with trained Omani personnel.

"If everybody is clear with that agenda point, if there is anything to be cleared up by the management, we need to discuss it with the management and they have to clarify it." (Ibrahim)

"In cases where management are raising issues on day-to-day business, the board gets involved in a discussion with the management to clarify matters and question them." (Hamed)

"We allow the manager or the presenter to continue; if he answers our questions from the pack from the day before, and if we are happy and satisfied and everything is clear to us, then we don't need to offer further questions. If he doesn't, then we need to come and ask him. Also, projects with financial implications don't usually finish in one session; there is always something that is missing or the discussion is enriched by a member who has expertise in that area and who wants to show the management one corner that they have missed or one area that they need to explore more, or that there are ratios that they need to study and explore more." (Majid)

"The management provides us with the details, okay, and the support we need. Also, they will tell us the challenges they are having and if the objectives are reasonable and achievable or not, and that will open the gate of challenges for us." (Khalid)

"Normally, the board members will discuss these issues [investments] with the management and contribute from their own experience and knowledge as to whether they think that this is a good proposal or one that requires more study and research, or whether it's a proposal that's not good enough to invest in due to risk factors that may be financial or political or social risks, and given the experience that we have. It is normally about debating the best way to deploy our financial resources, how to review the risk and how to maximise the return." (Ali)

"We are asking the management to go and interview people who can look at our investment portfolio outside Oman. It will be someone who'll be happy to take one million, two million dollars not someone who wants 25 million. So, we can give advice on how they can do this. I gave two names and other investment committee members gave them two or three names. Go to this bank, that bank, go to [name of an institution in the Gulf region]." (Yasir)

Appendix 6.7.2.1b: Board challenging interactions with the CEO/executive team in formal meetings

"Sometimes, we challenge the management because the subject does need the challenge." (Khalid)

"Most of these topics don't cause an issue unless management surprise the board. They tell me some major issue happened due to the incompetence of the management. They didn't do the maintenance. They didn't spend money on maintenance where they were supposed to or something like that. Then we are angry. It will cause debate and discussion: 'Why did this happen? Why did you let it slip? Isn't there a standard operating practice, or a work procedure to operate this equipment? Why was there a failure in the system?' We assisted them. We approved all the work procedures, all the HR manuals, all the systems. We provided them with support. We gave them the best software. We gave them the budget to do whatever, so now they have to perform. But the debate is always good natured. I mean we fight, but it's good and everyone has his point of view, but the goal is clear. It is for that not to be repeated or for that to be corrected properly." (Hamdan)

"The board members also have the right to express their view on the management opinion and to challenge it. This role is shared by the members." (Talal)

"My role is to challenge the management sometimes. So, they should prepare to answer our questions in a friendly manner. It should not be a fighting manner. Sometimes it will be a heated discussion, but it will be in a friendly manner. Heated discussion means if I'm not happy, I say I'm not happy and I argue." (Rami)

Appendix 6.7.2.2: Interactions among board directors in formal meetings

"Now in this company, I've already been on the board for a few months. They're allowed to invest 25% of investment funds outside. They have not done so: why not? Oman is not the most liquid market. It is a small market; they have to look long term and put it outside Oman and the GCC. So, this discussion has taken place among us [outside directors] and it has not gone to its conclusion. But I can see the board may say, 'Okay do not put 25%, put 15%.' The minutes of committee meetings are not for our gratification, but for our information, observation and comment. We sometimes ask questions on that. If there's something which I have read in the minutes and I want to know how it happened and how they addressed it in those meetings, I ask them. It shouldn't be that, 'The committee dealt with this so we do not have to read those things.' The audit committee chairman will say, 'We've reviewed the accounts, we have no questions, there were these two or three things which are now addressed and they are okay now.' Then directors ask any more questions, but if a director has the responsibility, like the audit committee chairman or investment committee chairman, then they will tell the board at the outset that they have looked at these things and then the discussions start." (Yasir)

"For example, the appointment of a senior executive position in the organisation. A proposal from the CEO wants to promote X from one position to a senior management position, and we know the guy's work is probably not good enough for the position, or he is excellent but not for this position, and we [directors] need to have a debate, what do we think?" (Zakaryia)

"Most of the time it's a discussion among the board members on whether each item will benefit the company or not, and their own opinions. Committees have to give their recommendation in the meeting: 'We think this is right and this is wrong and we think the management has to give more detail on this kind of project.' So, it eases the way of making the decision. The committees, they have a very big role and we discuss with them and they help the board." (Ibrahim)

“We also ask the management to leave the hall so it has that kind of privacy and confidentiality in the discussion, so it avoids any miscommunication or misleading by the management in the future with board members.” (Issam)

“For all of these matters, the CEO will not attend. Later on, if there are any business discussions, the CEO will be called for those. He will join in only in the matters that he is responsible for. The audit committee will come to us to tell us that they have read the financial position and they recommend the board to approve that quarter, and if there are any irregularities in the item, we discuss these issues with them.” (Ameen)

“We might request the management to leave the room and discuss a topic between us sometimes if we don't want them to hear about it. For example, if someone is interested in buying the company from us. It's too early for the management to know about it or get them involved in it, or to disrupt them in a way so they are not focusing on the operation. We'll discuss it as board members only. Probably when we're discussing the compensation of the CEO or the senior management – we don't want the rest of the management there to be aware of it.” (Hamdan)

“There are a number of matters that might be dealt with in the committee and then submitted to the board as recommendations and the matter will be discussed once again. The board can either approve it as per the committee’s recommendation or review the whole thing again and take the appropriate decision.” (Suliman)

“Sub-committees discuss their issues, for example, audit committee members highlight their risk analysis.” (Musa)

“Two committees present in the board. They will present their observations of performance, and their evaluation of the performance of the company, and the board will take action.” (Khalid)

“Usually, the board of directors’ meeting is a long one. The board has a busy agenda and for this reason, these committees are responsible for carrying out the work of the board of directors. For example, they can discuss a topic with the executive management, which can then be recommended by the committee. At this point, the topic is at the discussion and proposal stage. When the topic reaches the board, the head of the committee is in charge of presenting it in front of the others, with the help of a member of the committee, by giving a quick brief.” (Fahad)

“What happens is the chairperson of the audit committee will present the item in terms of whether the committee recommends or does not recommend the financial statement and for what reasons, if there are any reasons.” (Haitham)

“If there's an investment which has already been discussed in the investment committee, it will be discussed in the board because the investment committee cannot approve it alone. The approval will be by all the board. They just recommend and present it in the board. I am the chairman of the audit committee so I give the feedback on the most important things arising in the audit committee meeting, not the small things. Of course, I also highlight any financial or other recommendations, and whatever weaknesses I find in the financials. And my fellow committee members will support me if I forget something.” (Rami)

“Matters which have an impact on shareholders, for example, dividends. Directors themselves debate: What do we think is the right approach? What strategy to put as a policy? What amount should be there?” (Hamed)

Appendix 6.7.2.3: Interactions between board of directors and consultants in formal meetings

“We had a type of investment that caused us constant and huge loss and it threatened the existence of the parent company. It required a financial study from different parties: the executive management and a neutral party who was hired to check the project and the problems, and give us their view. After in-depth discussion with the neutral party, the decision was made to sell the company.” (Hashim)

“If it's something like IT, most of us know very little about IT. So, what do we do? We don't apply our knowledge. We hand it to a professional, like an external specialist or something, to do an ideal IT audit. We discuss the report, we ask them to highlight what are the critical risks, what are the moderate risks, what are the low risks. We only look at the critical risks (the critical risk should be 2 out of 20), address those and follow it up so we do that with them.” (Yasir)

“This time we know that there will be economic effects in the oil sector and they will hit not only us, they will hit everybody in the country. How to compensate for that? Our core business is selling oil, what else we can do? So, we brought in a consultant and we discussed this with the consultant and we said, ‘Okay, we’ve got to achieve growth in other areas like non-fuel businesses: food, car washing, coffee shops and such things.’ And we said, ‘Our non-fuel business should be this percentage.’ So that strategy was built up and it is followed on a continuing basis.” (Rami)

“It was a decision to buy a business, another company. So, we appointed an independent financial adviser to do the valuation and we appointed another independent legal office to do the due diligence that was needed. We told them, ‘We need you to test this and this and this.’ It took them four months to review that. They came and presented their due diligence report, both legal and financials. They found out how to mitigate some of the risks. And again, the management and directors put their comments, and we took one more month to review it, and then we asked again for more information in certain areas, and we then took our decision. It took us four months to decide.” (Yahya)

“We do re-engineering, which involved a third-party preparing a re-engineering strategy. In this instance, there was a lot of discussion at the board level because it required choosing one direction over the other; adopting a new way of doing things or restructuring the organisation. We would usually have a heated discussion at the board level and a lot of work from management and usually advisors or third-party consultants who came in with their presentations. They were hired as a third party to give their opinion. Usually, we would have so much discussion with the consultants at the board level to arrive at conclusions on how to go forward.” (Musa)

“In this company, other external parties are brought in for evaluation purposes. They come to the board and discuss their reports with us.” (Hamed)

Appendix 6.7.4.1a: Directors exchange opinions and reach a decision consistent with social comparison theory assumptions

"It happens also a director goes and searches more into the concern he has. Either he becomes convinced about our view or he will say, 'Okay, I can see where you are coming from, but I am not 100% convinced about it. But I can go along with you.'" (Majid)

"Potentially people might get influenced after they hear other directors. I cannot say 100% but I can see from the reaction of people, they hold back when they see everybody is agreeing to something. Even if they disagree, they keep quiet. I've seen that some directors hesitate to give their view when they see everybody agreed." (Hamed)

"We are human beings. Some people they can contribute in finance and some people no. Some people can contribute in the technical matters and some people no, and decisions are made in this way, most of the time." (Issa)

Appendix 6.7.4.1b: Directors do not accept the opinion of the majority and note their reservations about board decisions in the meeting minutes

"When I have concerns, I record it because in two, three years when this project materialises, my concerns will be facts. It depends on the nature of the business." (Majid)

"But if there is an approval of an item, if I'm not happy, I will say, 'Please note down my rejection and my view.' Okay, the majority will approve it, this is okay, but at least my view should be there." (Rami)

"Sometimes, if someone disagrees with the other directors, this is minuted in the board meeting." (Yahya)

"If some members have reservations, they are recorded, and the opinion of the majority is taken on board. Such reservations will be noted down in the minutes on the part of the member who has expressed a particular view." (Suliman)

"Sometimes, we may have one or two members who may not agree, so to record this properly, this will be part of the minutes. It is written that these members do not agree with the decision, so that at least they are not perceived to be taking the same direction." (Ali)

"Sometimes, if a director does have an opposing opinion and he thinks that that opinion needs to be minuted, then it is minuted." (Musa)

'I'll go to the board meeting, and there will be a discussion. I will give my views to be recorded; if it is against their expectation, it will still be recorded. I will say, 'Please, I would like my comments to be put on record.'" (Imad)

“Does the board have disagreements? Of course, I have never seen a board of directors without a disagreement. Do we minute and put our own objections down, even if it’s one against six? It has happened many times. We have seen it.” (Zakaryia)

Appendix 6.7.4.1c: Directors exchange information and arguments and reach a decision based on the most persuasive argument

“Usually, when the discussions are important in nature, they are accompanied by what we call SWOT analysis or PESTEL analysis. This allows us to see through the current political, social and economic ecosystem, and helps us reach the proper resolution after examining all the surrounding opportunities and challenges. This level of discussion enables management as well as relevant bodies on the board to reach a proper conclusion that will allow us to continue and to proceed in executing the intended resolution.” (Naif)

“The management here are strong individuals, so they have their own views and we debate these with them and again, I feel it’s a good debate because, in my opinion, the board has to empower the management team. They are on the ground more than we are, so they are seeing the day-to-day business. So, it’s important to hear their view, but at the end of the day, we are responsible to the shareholders. So, in some cases, we do not agree with their direction. In others we do. They have raised some issues for the board, and we did accept them; after the debate, we agreed.” (Hamed)

“Management have their own views. Even board members have their own views, and then we discuss and we reach a conclusion.” (Rami)

“Certainly, we are not all the same and certainly, we don't have the same opinion on everything. So, it is healthy to have that and it drives the meetings towards what is best for the organisation. The ultimate objective of having different people with different backgrounds is to have different views and those views go on towards different arguments and what's best for the company, and what is best for the company is taking [a decision] after reviewing all these different views and discussion. Usually, discussions are mature enough that we don't require voting.” (Musa)

“In one of the boards, we have Omanis and non-Omanis and that was a good mix because we look at it from different perspectives, the local brain-wise and the people who are from outside who look at issues maybe a bit different. Then we get the two arguments, then we start to select what is the best to the show.” (Khalid)

“In another company, we had investments in Qatar and Emirates. When the board wanted to invest outside Oman, I told them, ‘Guys listen, we made investments in Qatar and Emirates and we lost there. Our capacity, capability, network and know-how are in Oman so let us invest in our country, instead of going outside. And also, who will go out there? The CEO or the executive who goes out might not have experience.' We discussed the overall risk and then the decision was made based on the finding." (Adil)

Appendix 6.7.4.2a: Board interaction outside formal meetings to resolve conflicts, disagreements and misunderstandings

"If it goes extremely badly in the boardroom, then it is a call for sorting out things outside the room." (Zakaryia)

"In the previous board, we had one dispute. We tried to resolve it outside of the board in the sense that that individual director met the shareholder. We had a lot of discussion actually outside of the board to resolve the dispute." (Hamed)

"If there are major differences, this can be handled outside the board; I, as chairman, don't want to come to the board and there are major differences that cannot be reconciled." (Ali)

"If there is a proposal and I and other directors do not agree, this triggers discussion outside. The proposal is then discussed by us on the telephone, or outside the conference room, and the management is called up by the director. If I have a different view, they have to explain to me, convince me why, why, why." (Imad)

"If the decision creates major conflicts, it won't be taken at the time of that board meeting. So, it has to go off the board and be discussed further before voting and members try to get an agreement." (Issam)

Appendix 6.7.4.2b: Voting as one of the common ways to resolve conflicts and significant disagreements

"We are very liberal and democratic within the board itself, so we encourage free talk, free comment, exchange of views, and then we go by majority voting most of the time unless the chairman feels there is a risk that has not been spotted by the directors because of misunderstanding. Then a lot of argument will go into engaging them to understand the risk before the voting is done." (Khalid)

"Sometimes, if there is also a disagreement between the directors, it's very healthy actually because that shows the level of maturity in the discussion. He has his opinion, I have my opinion as a director and the chairman has an opinion. The chairman may support, or not support, the management, or we two disagree with the management and then we go for a vote. The majority take it." (Imad)

"There is a tool. We have to vote in case of differences and when one board member insists that he is not accepting, or not agreeing. Normally, we vote. If support is more than 50%, then the decision stands, and this is a healthy practice." (Faisal)

"It is debated. Every director gives his views. Management intervene if there is anything that's needed from them, go one round. We see if we are on the same page; if not, then we just take a vote who is in favour of this motion, raise their hands, and it's taken at that." (Hamed)

"If there is consensus, there is an agreement generally, that's fine. If there is disagreement, they have to properly either vote or resolve it outside." (Ali)

"If we have a really big confrontation, we vote for it democratically." (Yasir)

"If the chair finds that there are too many different opinions on a particular topic, then he will call for a vote, which is usually resolved by a majority vote in the board." (Fahad)

"Conflicting opinions are discussed and defended and then, if it's very difficult to convince the opposing persons, finally, it has to be under voting." (Naif)

"Sometimes we go in different directions. We put our point of view. I know it should be done this way because I'm thinking long term. Then we put it to a vote. If I win, I win. If I don't, I don't." (Hamdan)

Appendix 7.2a: Informal processes facilitated by social ties between directors

"We used to have side talks sometimes because we know each other." (Yahya)

"Sometimes, if we are really close friends, we get together so we can also have these informal meetings." (Issam)

"There are so many. I will just address some of them which I can remember right now. Sometimes, two board members have a very good relationship, or a connection, or a friendship together. It makes it much easier for them to meet and discuss this kind of thing." (Ibrahim)

"It depends on the matter. In some cases, I may go to the directors I know better." (Ameen)

"I've seen in the other company that it is easier when two directors know each other better; either socially they know each other, or they are colleagues and they can talk openly about their views before entering the meeting. It may be something that is easier to discuss and debate between close colleagues rather than the board." (Hamed)

"Since it is informal, it depends on the personal relationship." (Haitham)

Appendix 7.2b: Informal processes facilitated by common interests and shared shareholder representation

"We have a lot of institutional investors; we meet informally in the sense that we have some aligned interests. I mean we want to achieve the same objective, maybe selling together, or finding another investor together. That kind of interest can facilitate it. We were looking at potentially acquiring a larger stake, so we wanted to speak informally to the other director, if they were interested in either joining us in acquiring more or in selling to us." (Hamed)

"Sometimes, the interest of a certain group governs things like directors, management." (Naif)

"You cannot find directors exchange views and discuss outside the meeting before they come to the meeting, and they come with me unless they are representing or they are coming from the same organisation." (Zakaryia)

"Sometimes directors represent one institution. For example, if three are from a pension fund, by them meeting and getting together, they will represent this pension fund decision." (Ibrahim)

Appendix 7.2c: Informal processes facilitated by the limited understanding, knowledge and expertise of directors

"Because of his background. The objective is to get, for example, some banking facility. If my other board member is from the banking industry, and the other guy is an individual, I won't be speaking to the individual guy, rather with the financial investor, the one with the financial background. I will be speaking to him. So, anybody who will help me make a decision. Anybody who will add value to me and to my understanding to make my decision, yes, I will speak to him." (Hamdan)

"The knowledge of the sector, how involved is the director in the sector? How much does he know about the sector? How much does he know about the changes? How much does he know about the risk we are facing? It is all about the knowledge and how deep the directors are in that industry." (Imad)

"Directors come from different backgrounds and, as human beings, we are created with different capabilities and then these capabilities are nurtured throughout our upbringing and our exposure, our education and so on. We tend to have different ways of observing and analysing, so don't expect directors to all have the same level of understanding or the same level of knowledge. Some might be knowledgeable in finance, others might be knowledgeable in strategy, some are technical, some are people-oriented, and so therefore some of these side discussions might facilitate the exploration of that knowledge." (Musa)

"Probably, I would say it's about technical knowledge and striving for the general interest as well as reducing the time taken; sensing the importance of decision making to achieve the goals and interests of the company, and the importance of time." (Talal)

"Sometimes, it's more about the expertise of the board members who can really add value. So, we may get together outside the board meeting and have a full discussion on the matter." (Issam)

Appendix 7.2d: Influence of information submitted by the CEO/executive team on board processes

“It depends on the quality of information provided by the management. I think this factor plays an important role in the conduct of discussions and smooth running of the meetings, and eventually in speeding up decision making. The discussion topics should be presented clearly and succinctly and in such a way that the discussion papers provide a detailed account and respond to most of the expected queries.” (Talal)

“What if we have a CEO with a lot of ideas and a well-prepared agenda where all the necessary information and attachments are available. Then, of course we will have a good discussion.” (Issa)

“When it has full details on that kind of subject with clear figures, return on investment and so on. It facilitates the discussion and the decision making.” (Issam)

“The amount of information offered and the nature of the information and its transparency are very important to build a healthy discussion to take decisions. Information accessibility.” (Majid)

“The financial numbers, that’s number one, whatever the business, whether it’s in a factory or farming, it relates to numbers. What are the management going to do in the bottom line? They have to provide this information. Later on, we come to the other factors. So, first is the bottom line, financial. If it is doable, that means the main aspect is done. Marketing and turnover come later.” (Ameen)

“It’s the presentation itself and the quality of the information. It all depends on that. One of my colleagues is always calling it PlayStation. It depends on how much fancy, how much quality of information they put in that presentation. It is not the size, 10 pages. Maybe they put in three, four pages. It all depends on how much depth, the structure of the presentation being prepared by the management.” (Imad)

“The availability of transparent information and the role of the management in providing this information help us a lot in decision making.” (Salim)

Appendix 7.2e: Influence of board knowledge on board processes

“Experience plays a role, people with relevant experience. It doesn’t have to be in the same field, but that definitely adds value if it comes from the same field, but also different experience because it always helps when the board has people from different backgrounds giving their views.” (Hamed)

“Knowledge, knowledge, the more knowledge, the more data, the more available answers, the better the presentation is done, the better the subject is covered. This enables the discussions and makes the meetings smoother.” (Musa)

“The academic degrees held by members of the board, whether they were educated or not; their evaluation of the criticality of the situation will differ from an educated person to a person who is not educated. These are very important in our discussion of the issues." (Hashim)

"One small block that prevents international standard people from joining our boards is the fees. Why do we not have people from, for example, Deutsch Bank in our banks? Why don't we have somebody from Alliance Insurance with our own insurance companies? Because the maximum you pay to each individual board member is very limited, whether you are a big organisation or a small organisation. That stops us having the right people on boards." (Zakaryia)

"First, the members' knowledge and understanding of the subject under discussion is the most important aspect and is a positive factor … If all or most members have knowledge on the subject, this will have a positive impact, but if the subject is not understood or directors have no knowledge, the discussions will be to no avail and the effects will be negative." (Abdulaziz)

"The background of members in the topic is the most important thing. If they have no knowledge and experience on the topic, then they cannot add to the discussion. Members must have good background and knowledge and work in harmony." (Adnan)

"Another element is related to the awareness of the members of the board of directors; if they are really well-informed and knowledgeable, and well-prepared to take on any topic of discussion. So, it is very important for directors to be equipped with awareness and knowledge." (Laith)

"First of all, directors' experience and second their knowledge. And then how constructive the decision that the directors make on that. I mean when directors have a strong view, they must say it and directors should always give their views. They should always talk; they should not keep quiet. These are major factors." (Rami)

Appendix 7.2f: Influence of board chair leadership skills on board processes

"The chairman sets the tone. If he sets the tone that this is an open place, all ideas are accepted and discussed. Every board member has his time and say, giving a forum for everybody, even management, to speak up, regardless of age and status and personality." (Hamdan)

"If the chairman has set these guidelines from day one, usually, members will adapt to that culture, but if the chairman has not given that chance from day one to members to present their opinions, a culture of shyness will build up, or people will not attempt to disclose their concerns. It all depends on the chairman and his ability to manage the board to perform better. In practice, we have all kinds of leadership styles and chairmanships in all types of organisations in that we have highly efficient boards and inefficient boards. Also, the age of a chairman, the education level of a chairman, have a lot of influence on the decision-making process. Add to that, if the chairman is the majority shareholder, that will also have an influence on the decision-making process because he is being seen by others as the person who will benefit most or lose most when it comes to taking decisions. That has an impact on how decisions are made. So, age, education level, ownership power, influence the way a chairman runs the board, or even takes decisions. Usually, combining age with proper education will significantly change the way a board is run." (Naif)

"The way meetings are managed plays a very important role. A board may have a very good chairperson who can make good use of time, focus the discussion, try to make sure that members are given enough opportunity to express their views, and therefore we will be able to get things done. We will be able to make decisions and these decisions are likely to be agreed on among all the members, not just the majority. So that makes a lot of difference; the chairperson who manages the meeting plays a huge role in making the meeting effective or ineffective." (Ali)

"Also, the running of the meeting itself. See, I don't recommend for any board to meet for more than three hours. Some meetings take 10 hours – imagine! For the first three hours we lost concentration and we cannot follow the discussion. Imagine a 10-hour meeting. It means the chairman wants to keep people in front of him and he wants to know everything that happened in the whole three months, which is not right." (Ameen)

"A key role, in my opinion, is the chairman. The chairman plays a key role in these discussions to make sure they are all kept professional, not getting out of hand." (Hamed)

"The chair of the board is required to play an active role in the management of the session and the distribution of roles between all parties taking part in the discussion. He is one of the key factors for good discussion in the board. Therefore, I think that the chair of the board should not be biased or courteous to the members of the board at the expense of the management. He should give ample opportunity for management to put forward their ideas and recommendations clearly and to defend them during board meetings." (Talal)

"As I see it, the board of directors should have a chairman who has a strong personality. He should be able to keep order in the discussions and pass information between board members." (Hashim)

Appendix 7.4: Professional and respectful relationships between boards of directors and CEOs/executive teams and their influence on board processes

"When we deal with the management, we deal with the CEO. Our relationship with the CEO most of the time is professional. We deal with him in the meeting, we sit with him outside the meeting room. I have phone calls with all the CEOs in the companies where I sit on the board. It is just to get updates on what's going on, if there is something that I need to be aware of." (Haitham)

"Of course, the relationship between a CEO and the board is of a highly professional nature, given that CEOs are being selected by the board, so they would have gone through the proper process of selecting a highly qualified CEO. Each member of a committee or member of the board makes sure that when they communicate with the CEO or with the management, they do it professionally. So, the level of deliberation, the level of communication becomes of a higher standard. That makes it easier for members of the board to discuss matters in the boardroom in a very professional way. Likewise, the discussions between committees and the CEO and relevant officers, i.e. if it's an executive committee, their discussions with the business development officer or manager will be high-standard because our ecosystem allows us and the members of the management to be able to communicate well." (Naif)

"Between the management and the board, it is respect with a kind of high professionalism and evaluation. We put a target and leave the management to take their time to do this, to achieve their targets. We have the right to take action to change them if they are not achieving the targets and for this, they inform us about problems when they face problems." (Issa)

"No, so far it's a professional kind of a relationship. It's a professional kind of a relationship." (Ibrahim)

"I support the CEO where I think he has the right view, but if I have a different view I will be very open about it. I think a professional relationship is what is best for the company." (Yasir)

"It is a professional relationship between us and the management. It's reciprocal. I think when we are professional, we will not accept wrong things, and we are not expected to push people beyond their capacity or their liabilities. We always evaluate everything. We put it in its proper scale." (Faisal)

"The board of directors looks at management as the executers of the strategy they have agreed on and contracted the management to execute with KPIs and so on. The hierarchy of the board being the supervising, a strategic-driven committee and the management being the receiving and the discussing kind of team. So that's the kind of relationship." (Musa)

Appendix 7.5a: Knowledge as a source of power through which directors influence board decision-making processes

"Of course, directors are not the same in age and experience. Directors who speak with experience and who have learned a lot will have the power. I have two people in my board: one a CEO, one a manager in a bank. I will listen to both, but the CEO is more influential. I'm not undervaluing the manager, no, I use him to learn about operations, not about strategy. [Name of director] has not much experience or knowledge, but he has a good knowledge of shares. So, when we talk about shares, we all put our hands on our cheeks and listen to him because he knows that field." (Adil)

"The strength of others is very important. How can I see that I'm tall? By comparing myself with others. So, if they are short, maybe I'm short as well but taller than them. So, I will think that I'm taller than them. But if I compare myself with others taller than me…. So sometimes, some people have power because of the weakness of others. Knowledge gives power to directors." (Issa)

"Directors who are seen as being more learned by others definitely have an influence. Their history also plays a major role. Their success rate, their success rate in the business world makes people listen to them. Their experience, their education level, their ability to manage or be part of other successful boards or successful firms makes a lot of difference to the way people listen to their opinion." (Naif)

"If somebody is an expert in the subject, then he will influence other members. That's right, 100% true." (Yahya)

"On the other hand, there is the element of the board member's knowledge and his ability to present his point of view and to be persuasive. The more he is informed and doing his own research, while maintaining communication with the management, the more he will be able to reach out in the board meetings." (Talal)

Appendix 7.5b: Charisma and personality as a source of power through which directors influence board decision-making processes

"Sometimes the power to convince everybody is based on a director's charisma and way of talking….how he's presenting the ideas and his self-confidence. How much a director has confidence in himself influences discussion." (Issa)

"I think in many boards I have attended, the charisma of the speaker when it is combined with the reputation of the company that he is representing. Unfortunately, these guys lead the board's opinion, and other people become silent." (Khalid)

"In every human social gathering, we will see a charismatic person who is outstanding and influences others' opinions, or sometimes dictates decisions, and that is reflected in any team work that we do as humans. In a board or in any normal social gathering." (Musa)

"There are a few members who have a strong personality and they dominate board discussion." (Imad)

"Sometimes, some board members dominate the others by their personality." (Hamdan)

"Sometimes, we see very aggressive board members who try to be the one who questions every single thing passed through, and sometimes, we as a board don't want to waste our time challenging things that will not make us lose or win. It's only cosmetic as far as it doesn't harm or it doesn't change whatever is good or bad in the company." (Zakaryia)

Appendix 7.5c: Major shareholding as a source of power through which directors influence board decision-making processes

"There is an impact from major shareholders. Some of the major shareholders are members of the board, and therefore, when it comes to casting a vote on a particular topic, the votes are theirs for the taking." (Laith)

“I would not say individuals, but families because family ownerships certainly can influence. Look in town, there are certain groups that are owned by A family, B family, C family, and even I would say pension funds and the government are families. I'm not talking about individual tribes but about government – they all vote together, they all give the proxies together, so what is the difference? They all influence.” (Yasir)

“Previously, in other boards, I have seen dominance by shareholders, not in the current board. It was one shareholder influencing the other shareholders to basically vote with them, so that is there. That is there and that’s why for us when we invest, it’s very important we know who the other major shareholders are, and if there is any conflict or not before we make any investment. Also, if we have two board members, or three board members from the same shareholder, usually the senior representative is the one who is active and the junior ones do not participate as much, but they have the same view, which I think they share outside.” (Hamed)

“It does sometimes when a shareholder owns 35-40% of a company, so basically, they control the company and the board; I mean, out of 10 directors, they have four board members if they own 40%. So most of the time those four are coming with one opinion, one direction, so that's what they want to do. But that doesn't mean it will stop other board members from discussing items or putting their opinion or arguing. Now, if there is a vote to make a decision, they are four out of 10. If they can convince another two, they can get the decision. If the proposal that they are submitting is valid and it's good and for the benefit of the company, normally, the other board members will agree.” (Haitham)

“Shareholding and representation. So, if directors represent the major shareholder, they definitely have a stronger seat. It can be equalled by the other side’s knowledge and education and experience.” (Musa)

“Any publicly held company, there will be a percentage of ownership, and that percentage will be reflected in the number of board members it has. If those board members represent one side, they immediately affect the decision, such as in dividend distribution.” (Ameen)

“Major shareholders can make lots of changes. First of all, by using their proxy, they can put a majority in the board of directors, so most of their own desires or plans can be achieved, but of course, within the norms. Do they have an influence on decision making? Of course, they do. Of course, they are the ones who own the institution and sometimes, they are not themselves in the organisation. They put in either an independent or somebody they trust, or a family member, or somebody who works for their own institution to represent their interests within the organisation. So, there are, I would say, interests from different shareholders, but all of this is governed by the public company rules and policies. Within these boundaries, they can play, but outside of that, they cannot make big changes.” (Zakaryia)

“The biggest problem comes when the board members represent the government because government are not involved in the business. That’s the problem. So, if there is a proposal and there is a cost consequence, usually, the government declines. Why decline it if there is an HR-based structure to be reviewed based on market and international benchmarks? I represent the government, then I have to say, ‘Oh, I need to disclose, or I need to discuss this with my shareholders.’ I will go to the government and the government will say, ‘Oh no, no, if we increase this one, then we have another company that will come. Oh, Mr. so-and-so’s company have increased, then Company X, also owned by the government, will come, then a third will come, a fourth will come.’ That’s the problem. Imagine that the government have five seats in any company, or six seats out of nine, so they are the majority. But sometimes, it’s not fair. I have seen from my experience that very sensible business proposals are declined because the major shareholders have declined them. Yes, it happens.” (Imad)

“Every new chair brings in with him a new agenda that he wants to work on, and they keep saying they are the majority in the company and therefore things will be run the way they want and according to their own interests.” (Fahad)

“Here it depends on the board member himself; if he's representing shareholders or if he is independent. But pressure and support are always, always there, always happening from major shareholders.” (Issam)

“They exist in the form of major shareholders through some of their representatives as they have more influence over the decision and how it is made. Of course, for the major shareholders, as the largest representative body, this may be linked to their wide-ranging and comprehensive interests. But it is assumed that anyone who believes that the decision is not right will reserve or object to the decision.” (Suliman)

“It is very much dependent on whether major shareholders influence the board members representing them to maybe go in certain directions, Otherwise, it's not there.” (Majid)

“What sometimes happens in companies….under the Commercial Law, we can pay 50% of the capital, with that capital taking up to three years maximum to be regained. Now, the main shareholder had 40% shareholding, he paid 50% of the capital to the owners, but when the capital of the company was recalled, he found that he was at a loss and decided not to pay. So, when it comes to a decision, we need to take legal action either by reducing the capital or passing these shares to other parties. Because he had power in the board of directors as a representative of the key shareholder, he refused to take action. It is these funds that we need to invest in to achieve our goals, but his major concern is the company that he is in does not have sufficient liquidity, and if they cannot pay, then this will be a hindrance.” (Talal)

Appendix 7.6a: Effects of the environment where directors grew up on board processes

“In the Omani environment, we don't like to argue in general. Yes, there are people who argue, but we don't like to argue. We all like to leave the table shaking hands and everybody smiling. We try to reach consensus always, I’ve noticed that.” (Hamdan)

“The board is a smaller reflection of the environment and the country where directors come from. The most influence comes from the home where directors grew up. If they have open-hearted homes, they will discuss board matters open-heartedly in the board. But if they control everything at home or flatter other family members, they will attempt to control the board or flatter other directors in the discussion. The home is essential." (Bassam)

"Community culture has a major influence on members. For example, a person comes from a certain environment or background, such as Nizwa. He is a member of the board of directors alongside others from all regions of the Sultanate, but most of the members come from Salalah. If not addressed, this diversity will be challenging. Why? Because if someone is from the interior region [Nizwa], they may be too reserved and lack transparency. Those from Salalah are more open-minded and have no limits or boundaries when they are discussing something. Some people have certain cultural restraints like an inability to criticise someone higher-ranking in the board and tell them they are wrong. Some members may prefer to keep quiet about it and refrain from sharing their opinion of others. So, you get the reserved on the one hand and the open-minded on the other." (Abdulaziz)

"At the end of the day, it really depends on the person himself and the impact of their character, culture and what they learnt in their home workplace." (Laith)

"Here in Oman our culture is a little bit difficult. When we are children, when we sit in the sitting room with men and the tribe, the kids are always told not to speak, not to talk, and so on. And unfortunately, that means our generation fear being quite open. Sometimes, I feel that people have their opinion, but they hide it. They're too shy to say." (Faisal)

"The Eastern cultures are similar in that we're not individualistic cultures. We tend to agree as a group. So, we tend not to deviate even if we have a different opinion and we tend to go with the herd because we are what is called "collective cultures" versus the individualistic cultures in the Western world, where one will state his opinion strongly and oppose someone with a different opinion. We tend in our cultures to go with the group, agree more than disagree. And that's probably one of the aspects we see in most boards." (Musa)

"Culture always plays a role. We sometimes avoid disagreements or arguments." (Issam)

Appendix 7.6b: The impact of directors' social ties, status and age on board decision-making processes

"The belonging to a certain tribe. It still plays a major role in our decision making. We have two people from one tribe [mentioned the name of a big tribe] and one of them is the chairman. Do you think that director will ever oppose the chairman? Of course not." (Yunus)

"The chairman is a friend of theirs, they don't want to get him upset, or the other members don't want to be seen as the men who object to everything." (Zakaryia)

“Some people affect the whole team because of their position. Directors nod their heads at what they say. I mean they always agree. The reason – this is a sheikh, governor of a province, a son of a sheikh. If a matter relates to a sheikh of that area, the decision will be made according to what he wants and thinks is right. The problem is that the respect is very, very high, very, very high. We respect each other, but it’s not respecting each other, it’s allowing one guy to drive it.” (Ibrahim)