Director Engagement with Corporate Purpose: The Contribution and Potential of Institutional Investors

إرتباط المدير بالهدف المؤسسي – المساهة والإمكانات للمستثمريين المؤسسيين

by

SELINA NERI

A thesis submitted in fulfilment

of the requirements for the degree of

DOCTOR OF PHILOSOPHY IN BUSINESS MANAGEMENT

at

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Thesis Supervisor
Professor Ashly H. Pinnington

Approved for award:

____________________	____________________
Name Designation	Name Designation
____________________	____________________
Name Designation	Name Designation

Date: 5 November 2019

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ABSTRACT

This thesis develops an improved conceptual understanding of when and how directors, as key corporate governance actors, engage with corporate purpose as a company's *raison d'être*, and how institutional investors contribute to their engagement. There is a gap in the corporate governance academic literature as to how corporations and investors can enable director engagement, as a condition for corporations to create value for society as well as for investors.

The thesis examines how institutional investors, through the exercise of their stewardship duties via the integration of environmental, social and governance (ESG) factors in investment decisions and a form of activism known as 'engagement', contribute to the way directors engage with purpose. I argue that director engagement is an initial, important step in enabling corporations to create value for society as well as for investors, and for directors to make a difference to their companies. Based on a unified definition of director engagement, and applying strategic cognition as an organising framework to study its dynamics, director engagement can be seen as the extent to which directors commit their affective, cognitive and behavioural resources to corporate purpose. The initial components of the *director engagement with corporate purpose model* are identified and presented as predicated along a continuum, rather than an engaged/ disengaged dichotomy. Engagement is understood as affected by a set of contingencies at governance, organisational and directorial level.

Using a case study approach, I collected data through a combination of 38 semi-structured interviews with directors, investors and other participants, two participant observations, and documentary sources. The main findings are: 1. Corporate purpose emerges as sustainable value creation, entailing financial, social and environmental dimensions. Purpose is neither about the social role of corporations, nor about moral obligations, but rather is strategic in nature. 2. Director engagement emerges as an affective-cognitive-behavioural mechanism predicated along a continuum where engagement moves between two ends, conformity and compliance, and corporate development. The continuum sees directors *at* and moving *between* both sides. The greatest benefit to corporations, society and investors is derived from directors moving towards the furthest end of the continuum (corporate development), however the transitory nature of engagement means that it is neither a linear progression nor is ever ‘done’, ‘complete’ or ‘achieved’, with important consequences for decision-making at directorial and board level. 3. Institutional investors shape director engagement through the exercise of their stewardship duties via behavioural integrity, in-depth knowledge of the investee companies, strategic relationships with directors (chairs in particular), and an investment time horizon aligned with corporate purpose. Investor and investment size do *not* appear to play a role, as small investors are also able to demand director attention if the above conditions are met. Proxy advisors support director engagement as conformity and compliance, and are not conducive to the movement towards engagement as corporate development. 4. Director engagement towards the corporate development side of the continuum is viewed as possible both in public and private ownership, as long as the chair leads strategic relationships with investors to ensure alignment about purpose and the trade-offs it entails. 5. Perspectives defining ESG factors as ‘non-financial’, the lack of globally accepted ESG standards, and the debate on integrated reporting emerge as potentially detrimental to engagement beyond conformity and compliance, as ESG factors should be viewed as strategic in nature, may impact the bottom line and ability to create value, and are financially relevant and important.

I offer an original contribution to knowledge in the area of strategic cognition and corporate governance by presenting an initial model of director engagement as a strategic cognition process of knowing and understanding corporate purpose. I also offer a set of recommendations for policy-makers and governance practitioners as to how to enable director engagement, as an initial step for corporations to add value to society as well as to investors, and for directors to make a difference to their companies.

Keywords: corporate governance, corporate purpose, directors, engagement, ESG, institutional investors, stewardship, shareholder activism.

ملخص

هذة الأطروحة تُطور مفهوم معدًل لجهة فهم كيف ومتى يكون إنخراط أعضاء مجلس الإدارة الذين يحملون هدف مؤسساتي كلاعبين مهمين في الحوكمة المؤسساتية بمثابة "سبب الوجود" للشركة، وكيف تقوم دور الإستثمار بالمساهمة في هذا الإنخراط . ثمة فجوة موجودة في أدبيات الحوكمة الأكاديمية فيما يتعلق بكيفية إستطاعة المؤسسات والمستثمرين تمكين الإنخراط الإداري لعضو مجلس الإدارة كشرط أساسي في خلق قيمة مجتمعية وقيمة للمستثمرين أيضا.
تبحث هذة الأطروحة أيضا كيف تقوم دور الإستثمار من خلال ممارسة مهامها المكلفة بها المرتبطة بعوامل التكامل البيئي، والإجتماعي والحوكمة (environmental, social and governance (ESG) بإتخاذ قرارات الإستثمار، كما تبحث كيف يسهم شكل من أشكال االنشاط الإداري معروف بإسم " الإنخراط" في كيفية قيام أعضاء مجلس الإدارة بأداء مهامهم مع وجود هدف. يجادل البحث بأن إنخراط أعضاء مجلس الإدارة هي خطوة أولية مهمة في تمكين الشركات من خلق قيمة للمجتمع وللمستثمرين ، وإحداث فرق إيجابي في مؤسساتهم. بناءا على تعريف موحد لمفهوم "إنخراط االأعضاء" وتطبيق الوعي الإستراتيجي كإطار تنظيمي لدراسة الديناميكيات المرتبطة به، فإن إنخراط أعضاء مجلس الإدارة ممكن النظر اليه على أنه المدى الذي يلتزم به الأعضاء بمهاراتهم العقلية والسلوكية الفعالة لتحقيق الهدف المؤسسي. المكونات الرئيسية لنموذج "*إنخراط المدير العام مع وجود هدف مؤسسي*" معرًفة ومقدمة على طيف بشكل متصل وليس على شكل منقطع ؛ إنخراط / عدم إنخراط . يعرف الإنخراط على أنه مجموعة إجراءات وإحتياطات على مستوى الحوكمة، التنظيم المؤسسي والتسلسل الإداري.

قمت بإستخدام دراسة حالة، وجمعت معلومات من خلال جمع 38 مقابلة معدة مسبقا مع أعضار مجلس إدارة ومستثمرين ومشاركين آخرين، وأخذت ملاحظات من مشاركين إثنين على الأقل ومن مصادر توثيقية أخرى، فكانت الإستنتاجات الرئيسية كما يلي: 1. الهدف المؤسسي يظهر كصانع قيمة مستدام، و يتضمن أبعاد مالية أجتماعية وبيئية. الهدف ليس بخصوص الدور الإجتماعي للمؤسسة ولا بخصوص الإلتزامات الأخلاقية ولكنه إستراتيجي بطبعه. 2. إنخراط اعضو المجلس يظهر كآلية سلوك توعوي فعال قائم بين طيف ذو قطبين، حيث يتنقل الإنخراط بين القطبين ؛ التوافق والإنسجام من جهة والتطور المؤسساتي من جهة أخرى. يتحرك أعضاء المجلس في االقطبين وبين القطبين على طول الطيف المتصل. الفائدة الكبرى للمؤسسات والمجتمع والمستثمرين تشتق من كون أعضاء الإدارة يتنقلون بين قطبي الطيف (التطور المؤسساتي)، ولكن الطبيعة العابرة للإنخراط تعني بالضرورة أنها لا تكون أبدا تطور بشكل أفقي وأيضا لا يكون لها خط نهاية ولا تكتمل ولا تصل إلى درجة التحقق بالكامل، مع تبعات مهمة لعملية صناعة القرار على المستوى القيادي وفي مجلس الإدارة 3 . الشركات الإستثمارية أو دور الإستثمار هي التي تحدد الكيفية لإنخراط الإدارة من خلال ممارسة واجباتهم عبر الإخلاص في السلوك والمعرفة المعمقة للمستثمرين، والعلاقة الإستراتيجية مع رؤساء مجلس الإدارة بالتحديد، مع وجود أفق إستثماري محدد المدة ومتوازن مع الهدف المؤسسي. المستثمر وحجم الإستثمار لا يبدو أنها تلعب دور، حيث يستطيع حتى مستثمرين صغار أن يجذبوا إنتباه رئيس مجلس الإدارة إذا تطبقت الشروط المذكورة أعلاه. المستشارون بالوكالة يساعدون في إنخراط أعضاء المجلس -كإنسجام وتوافق - وليس بالضرورة للتحرك نحو الإنخراط كتطور مؤسسي منظم.

4. ينظر لإنخراط اأعضاء مجلس الإدارة في الوقت الذي يبرز فيه التطور المؤسسي كأمر ممكن في الشركات المدرجة وغير المدرجة، وهذا يتطلب من رئيس مجلس الإدارة على أن يحافظ على علاقة إستراتيجية مع المستثمرين لكي يستطيع الطرفين الإتفاق على كيفية أن تقوم الشركة بخلق قيمة ومقاربات تبادلية نفعية

5.المفاهيم الناظمة لعوامل التكامل البيئي، والإجتماعي والحوكمة كعوامل   (ESG)"غير مالية" وعدم وجود معايير مقبولة عالميا للتكامل البيئي، والإجتماعي والحوكمة (ESG) والنقاش الدائر حول التقرير المتكامل ربما يبرز كأمر ضار بالإنخراط فيما عدا الإنسجام والتوافق، حيث أن عوامل التكامل البيئي، والإجتماعي والحوكمة (ESG) يجب أن ينظر لها على أنها إستراتيجية الطابع يمكن أن تؤثر على الربح (الهدف النهائي) والقدرة على خلق قيمة ما ، وهي ذات صلات ماليا ومهمة . لقد أضفت من خلال هذا البحث مساهمة جديدة في حقل المعرفة في مجال الوعي الإستراتيجي والحوكمة المؤسسية من خلال تقديم نموذج أولي لإنخراط أعضاء مجالس الإدارات عن وعي لمعرفة وفهم الهدف المؤسسي. بالإضافة إلى أنني إقترحت مجموعة من التوصيات لصانعي القرار وممارسي الحوكمة بخصوص كيفية تمكين عضو مجلس الإدارة بالإنخراط ، كخطوة أولية للمؤسسات لإكساب المجتمع قيمة بالإضافة للأعضاء ليحدثوا فرق إيجابي في شركاتهم.

DEDICATION

To Carl, my husband. The love of my life.

Acknowledgements

According to a Chinese proverb, *‘The journey itself is the reward’*. My doctoral journey truly felt like one, although there were times when feelings of despair overshadowed those of reward. So far, nothing in my life has been more intellectually challenging than this journey. My first and foremost debt of gratitude goes to Professor Ashly H. Pinnington, who has guided me with patience and dedication. He has made me see the rainbow when I was under pouring rain, and challenged me to go beyond what I thought I was capable of. My second debt of gratitude goes to my ‘support network’: the individuals who helped me address the access constraints of this thesis and navigate stormy waters; the participants in this study, who shared with me their insights, time and hospitality; and the scholars whose work informed, inspired and challenged this journey in the realm of corporate governance.

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List of Abbreviations

AGM:	Annual General Meeting
ASIP:	Swiss Association of Pension Fund Providers
BREEAM:	Building Research Establishment’s Environmental Assessment Method
CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
CGIR:	Corporate Governance: An International Review
CHRO:	Chief Human Resources Officer
DJSI:	Dow Jones Sustainability Index
EI:	Ethical Investment
ESG:	Environmental, Social, Governance
EU:	European Union
FINMA:	Financial Market Supervisory Authority
FRC:	Financial Reporting Council
GDP:	Gross Domestic Product
ICB:	Industry Classification Benchmark
ICGN:	International Corporate Governance Network
ICT:	Information and Communications Technology
ISO:	International Organisation for Standardisation
KPI:	Key Performance Indicator
LEED:	Leadership in Energy and Environmental Design
NBS:	National Business System
NED:	Non-Executive Director
NGO:	Non-Governmental Organisation
OECD:	Organisation for Economic Cooperation and Development
OR:	Obligationenrecht
NZZ:	Neue Zürcher Zeitung
PRI:	Principles for Responsible Investment
RQ:	Research Question
SC:	Strategic Cognition
SF:	Sustainable Finance
SDF:	Sustainable Development Fund
SI:	Sustainable Investment
SIX:	Swiss Infrastructure and Exchange
SMI:	Swiss Market Index
SMIM:	Swiss Market Index Mid-Cap
SRI:	Socially Responsible Investment
SVP:	Senior Vice President
SWF:	Sovereign Wealth Fund
SWFI:	Sovereign Wealth Fund Institute
TQM:	Total Quality Management
UAE:	United Arab Emirates
UK:	United Kingdom
UN:	United Nations
US:	United States
VP:	Vice President
WCED:	World Commission on Environment and Development

Chapter 1: Introduction

In this chapter I introduce the background of the study. I present the research problem, aim and objectives, followed by the research questions and strategy. I conclude with the significance of this study and its original contribution to knowledge.

Research Background

In the twilight years of the twentieth century 'their world looked wonderful to people living in developed nations (…). Or so it seemed' (Starbuck 2005, p. 21). Scientists also realised that companies were using natural resources faster than their ability to regenerate them. The dawn of the twenty-first century looks quite different and is besieged by challenges. Political turmoil, economic insecurity, social unrest, climate change, corporate governance failures and a crisis of trust towards corporations characterise our time. An overview of the major issues recorded in 2018-2019 in the United Kingdom (UK) newspaper *Financial Times*[1] indicates that 'overwhelmingly important challenges' (McGahan 2019, p. 8) are all around us, despite economic, technological and social progress.

At the heart of our economic system lies the corporation,[2] a complex and highly influential social entity (Williamson 1981; Mayer 2017; Mayer, Wright & Phan 2017). Considered 'one of the most successful inventions in history' (Butler 1989, p. 99), and historically a great

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[1] The overview includes, among others, Kraft Heinz's destruction of rain forests for palm oil and reluctance to use renewable energy sources; health hazards and child labour in the cobalt mines feeding the electric car and mobile phone booms; rising miner fatalities; natural disasters induced by climate change; widespread social unrest; controversial projects at Google; Facebook's misuse of data privacy; UBS shareholders refusal to discharge the board over its liability for French tax evasion; and multiple corporate governance failures.

[2] The terms *corporation*, *company*, *firm* and *organisation* are used as synonyms, unless stated otherwise, and refer to for-profit entities.

contributor to and purveyor of economic development, education and prosperity, the corporation is increasingly associated with tensions, irresponsible business and the challenges of our time. Corporations are powerful institutions, by which I mean a type of "humanly devised constraints that structure human interactions" (North 1990, p.3), their purpose being to 'add value to society' (George et al. 2016, p. 1892), as well as to investors. Directors, as key governance actors, are to add value to their companies (Aguilera, Florackis & Kim 2016), and beneficial changes to the governance of corporations are among humanity's most daunting challenges (Starbuck 2014). However, there is a lack of shared vision as to how value can be added or created.

In the widest sense, purpose[3] is the end to which something can be used. Yet, what constitutes corporate purpose is not as straightforward. Corporate purpose as shareholder value maximisation[4] is 'the most celebrated corporate target' (Loderer et al. 2010, p. 5), under the economic assumption that in a free market and in the absence of externalities, welfare is maximised when companies maximise value for shareholders (Pirson & Lawrence 2010). Externalities, however, are all around us in the form of environmental, social and governance (ESG) factors which constitute a key aspect of the contemporary corporate context (Adler 2016). ESG factors can be categorised as environmental (e.g. waste management, carbon emission reduction or water consumption), social (e.g. racial tensions or gender diversity, employee engagement or human rights), or governance (e.g. director independence, executive compensation or disclosure). Beyond economics, other fields of the social sciences, such as theology, philosophy and history, have long been concerned with

[3] The terms *corporate purpose* and *purpose* are used as synonyms, unless stated otherwise.
[4] The terms *shareholder value* and *profit* are used as synonyms, unless stated otherwise.

corporate purpose as the *telos* of business, placing it in the wider debate on the purpose of human beings, the complexities of our *condition humaine* (Malraux 1960), and our 'human brokenness' (Cremers 2017, p. 711), in other words the tensions surrounding our frailty and contradictions.

At the pinnacle of modern corporations are its corporate governance actors and mechanisms, particularly its directors and investors.[5] Corporate governance refers to the structure of rights and responsibilities among those holding a stake in a company (Aguilera et al. 2008, 2015; Aoki 2001), and is increasingly perceived as been about corporate power being properly channelled for the well-being of society (Judge & Talaulicar 2017). In the twenty-first century, corporations operate in a context characterised by different forces directors need to reckon with. These include regulatory frameworks and developments enabling or mandating broader corporate contributions to society (for instance through gender balance, quotas or equal pay, data privacy protection, employee well-being, lower carbon emissions, social inclusion or increased transparency of corporate activities), a political climate characterised by instability, trade wars and social unrest (El-Erian 2019), traditional and social media's increased scrutiny of corporate and directorial conduct (Pollock & Rindova 2003, Dyck, Volchkova & Zingales 2008) and increased activism on the part of different stakeholders (shareholders, employees, customers, non-governmental organisations (NGOs) and civic society), aiming to alter corporate conduct (Aguilera et al. 2015; Brisco & Gupta 2016; Goranova & Ryan 2014; Greenwood & Schor 2009; Kahan & Rock 2010; Renneboog & Szilagyi 2011). The Oxford English Dictionary defines activism as 'active participation or

[5] The terms *investor(s), institutional investor(s), owner(s)* and *shareholder(s)* are used as synonyms, unless stated otherwise.

engagement in a particular sphere of activity', specifically 'the use of vigorous campaigning to bring about […] change' (http://www.oed.com). Historically, activism has developed (and has been studied) as shareholder activism of financial nature, concerned with the protection of shareholders' interests, and stakeholder activism of social nature, concerned with the corporate contribution to society and the natural environment (Bundy, Shropshire & Buchholtz 2013; Goranova & Ryan 2014; Sjstrom 2008; Tkrac 2006). However, in the twenty-first century the boundaries of financial and social activism are increasingly blurred. Shareholder activism of blurred nature has become an important part of the contemporary corporate governance reality (Ringe 2018) and has been found effective in bringing about change in directorial and corporate decision-making (Becht et al. 2009; Cundill, Smart & Wilson 2018; Rock 2018). In particular, in investor capitalism and liberal economies (Rock 2018; Useem 1996), institutional investors play powerful roles and the share of equity investments held by institutional investors has increased significantly both in size and in concentration of stakes (Coates 2018; OECD 2015). Consequently, investors' exercise of their stewardship duties is emerging as a critical force of the contemporary corporate landscape. While directors have a duty of care and loyalty towards the company they serve, investors have a stewardship duty towards the assets entrusted in their care, as investor stewardship is about preserving and enhancing long-term value as part of a responsible investment approach (ICGN 2016). Institutional investors increasingly engage in the governance of corporations via the exercise of their stewardship duties through a form of activism known as 'engagement' on environmental, social and corporate governance (ESG) topics with boards and/or individual directors of investee companies (Esphabodi et al. 2019; Van Duuren, Platinga & Scholtens 2016), prompting call to better understand how investor stewardship influences corporate governance mechanisms and actors (Aguilera et al. 2015;

Brisco & Gupta 2016; McNulty & Nordberg 2016; Ringe 2018; Van Duuren, Platinga & Scholtens 2016).

Against the backdrop of the troubling challenges of our time, questions emerge as to what constitutes corporate purpose, how the forces of the contemporary corporate context affect corporate governance, in particular how institutional investors can affect directors and their decisions, and what the purpose is of directors, as enablers of governance. I use the verbs 'to affect', 'to contribute' and 'to influence' as synonyms, by which I mean how a person, factor or phenomenon may alter 'perceptions of the attractiveness of alternative outcomes' (Aplin & Hegarty 1980, p. 443), or 'what would otherwise have been the course of events' (Cundill, Smart & Wilson 2018, p. 610), a definition aligned with those proposed by other scholars in the fields of shareholder activism and governance (Goranova & Ryan 2014; McNulty & Nordberg 2016).

The Oxford English Dictionary defines a phenomenon as 'a particular (kind of) fact, occurrence, or change as perceived through the senses or known intellectually' (https://www.oed.com). I argue that if we are to understand how corporations can add value to society as well as to investors, and how directors can make a difference, it is critical to examine the phenomenon of director engagement with purpose, or how directors engage with purpose in their governance roles, and how institutional investors contribute to their engagement. I view director engagement as the extent to which directors commit their affective, cognitive and behavioural resources to corporate purpose. I posit that director engagement is an initial, important step for corporations to create value, and for directors to make a difference. For corporations operating in a complex global environment it is vital 'to ensure the capacity to create value in the long-term' (Lopez, Garcia & Rodriguez 2007). Value creation is a central concept in organisation and management scholarship and is viewed as one of the primary corporate strategic goals, next to cost optimisation and value capture (Barney 1991, 2019; Lepak, Smith & Taylor, 2007; Mahoney & Qian 2013). Consensus is lacking as to what constitutes value and how it can be achieved (Hinna & Monteduro 2017), while governance scholars are invited to explore boards and their directors 'from the viewpoint of value creation' (Kumar & Zattoni 2019, p. 3). The role of boards and their directors in value creation is a gap in the existing corporate governance literature, and we know relatively little about how boards as well as individual directors contribute to creating value (Di Pietra et al. 2008; Hinna & Monteduro 2017; Huse et al. 2011; Huse & Gabrielsson 2012).

Although it is beyond the scope of this thesis to enter the debate of what constitutes value, in this study I consider value creation in the broadest sense, in relation to 'both achieving sufficient profit and to satisfying the requests of a diverse group of stakeholders' (Lopez, Garcia & Rodriguez 2007, p. 286), although scholars have defined the concept differently, for instance as 'the production of good or services that a consumer is willing to buy' (Bapuji et al. 2018, p. 986), or as products (and services) valuable to customers and at a price point they are willing to pay (Bapuji, Ertug & Shaw 2019; Bowman & Ambrosini 2000; Lepak, Smith & Taylor 2007). The common denominator of these definitions is that value creation helps to explain questions of sustainable competitive advantage (Barney 1991; Hall 1993; Mahoney & Qian 2013), *sustainable* referring to capabilities which will endure. Hence, the value creation concept is very relevant to this thesis, as I consider director engagement with purpose a value-creating opportunity that can impact the way in which directors view and enact their roles, potentially affecting engagement and activities at board level, and ultimately value-creation at corporate level.

My argument is situated in a wider proposition concerning the role that corporate governance can play in the development of purpose-driven corporations, or in placing purpose at the heart of business, as a condition for value creation. However, it cannot be assumed that finding a purpose, and formally stating it, is enough for corporations to add value. The recent Facebook-Cambridge Analytica scandal, concerning a severe breach of private data collection and sharing practices (Kuchler 2018), is evidence that a stated and formalised purpose of 'connecting people', while in itself noble, is not enough to guide corporate practices if it is not planted in strategy, culture and structure. It raises questions, among others, about the governance of this corporation and about its directors.

Borrowing from Claude Bernard's theory of scientific knowledge and his approach to studying life (Bernard 1957; Hirst 2010), the corporation can be regarded as a complex organism consisting of an array of simple organisms living in the *milieu intérieur*, or the totality of conditions necessary to give such simple organisms a stable environment. In turn, the *milieu intérieur* complements the *milieu extérieur*, or the environment in which the complex organism is situated. The *milieu intérieur* is the basis on which the simple organisms live. I argue that corporate purpose has a very similar role, supplying the corporation with life and nurturing its evolution (essential to its existence and strategic development), potentially defining decision-making criteria (thus informing and directing choices). However, just as blood is not sufficient for a healthy human body, purpose alone might not suffice for corporations to add value, as purpose also needs to be planted in the corporate DNA and value system at corporate and individual level.

Examining director engagement with purpose is best served by an interdisciplinary approach. Given that scholars have long advocated the benefits that knowledge might gain from interdisciplinary approaches to the fundamental questions facing humanity, I drew on different perspectives to explore a more comprehensive and diverse theoretical foundation of this phenomenon to address the research problem of this thesis, which I present below.

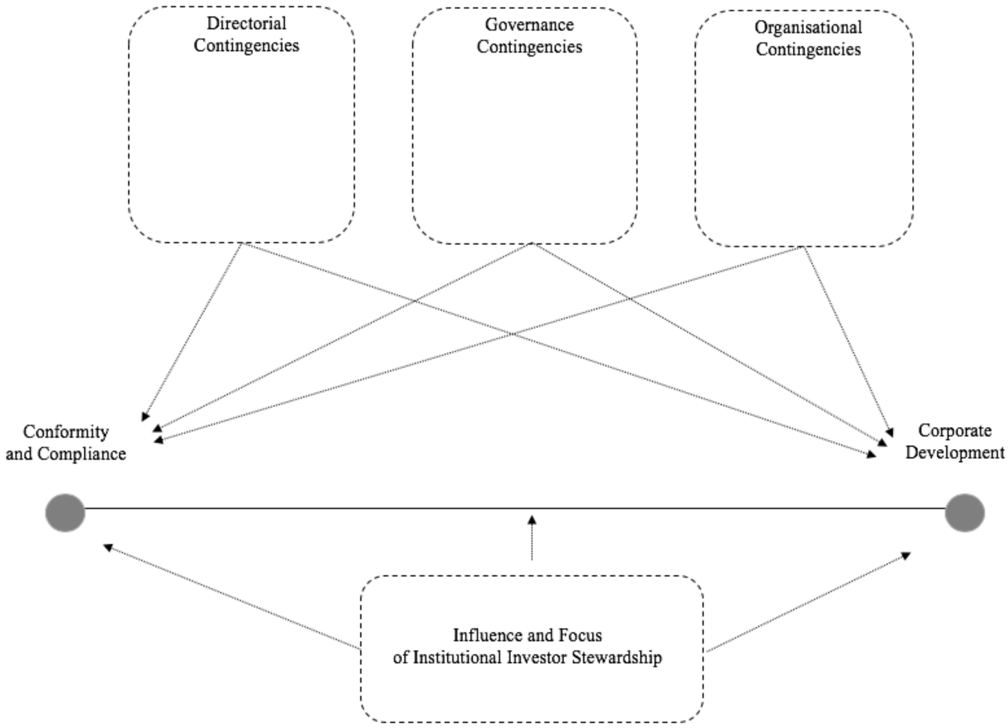
Research Problem

Against the backdrop of the challenges of our time, the debate on how corporations can create value for society as well as for investors, the purpose of directors, and the role of institutional investors, this study seeks to better understand how directors, as key governance actors, engage with corporate purpose and how institutional investors contribute to their engagement. Little is known about engagement at director level, particularly with the corporate *raison d'être*, and about how investors, legitimately concerned with maximising returns, might affect directorial engagement. Questions arise as to how directors view corporate purpose; what the main elements and dynamics of director engagement are; how institutional investors, essentially concerned with protecting and enhancing asset value, shape the ways in which directors engage; and how corporations, through director engagement, can ultimately contribute to create value.

Research Aim

The aim of this study is to explore and better understand the phenomenon of director engagement with corporate purpose, and how institutional investors contribute to it. Based on a comprehensive review of the literature, with a focus on a brief history of the corporation, purpose (and debates in governance practice and across the academic social sciences), directorial roles in corporate governance, director engagement and institutional investors, the study aims to explore the nature, building blocks and dynamics of director engagement as an emerging concept, its processes and mechanisms. In particular, the study aims to examine how institutional investors who exercise their stewardship duties through the integration of ESG factors in investment decisions via a form of investor activism known as 'engagement' (with investee companies), contribute to director engagement. Based on the findings and conceptualisations derived from a case study consisting of 38 semi-structured interviews, two participant observations and documentary sources, in this thesis I argue that a way forward in understanding how corporations can create value for society as well as investors, is to examine how directors, in their governance roles, can make a difference by engaging with purpose, and how institutional investors, as stewards of the assets entrusted in their care, contribute to shape director engagement. To understand this phenomenon, I identified the initial components of the *director engagement with corporate purpose model*, consisting of engagement elements and dynamics, a set of directorial, governance and organisational contingencies, investor stewardship influence and focus, which set the scene to explain when and how director engagement unfolds. In the model, director engagement is predicated along a continuum, because the process of engagement is neither a simple progression nor a dichotomy of engaged and disengaged, as previous studies have found, for instance in the case of engaged/disengaged directors (Bezemer, Nicholson & Pugliese 2018), active/less active boards (Federo & Saz-Carranza 2018), active/ passive owners (McNulty & Nordberg 2016), or engaged/disengaged investors (Tilba & McNulty 2012; Tilba & Wilson 2017). In the model, directors may find themselves *at* and moving *between* both ends of the continuum, namely *conformity and compliance*, and *corporate development*. How far directors go, and where they may be on the continuum at any point in time, depends on a set of contingencies. Figure 1 presents a simplified model of the director engagement continuum.

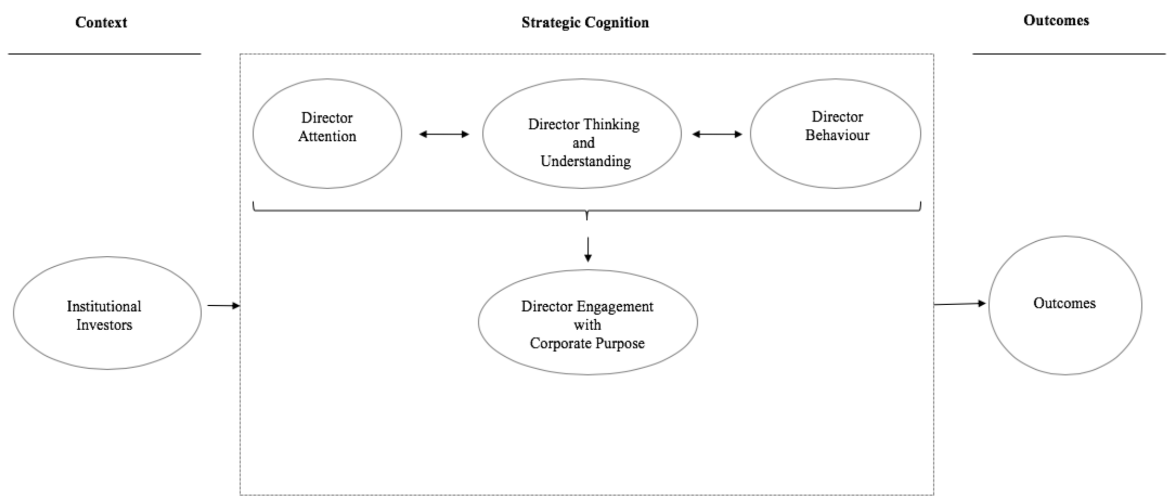
Figure 1 Preliminary Director Engagement with Corporate Purpose Model



Borrowing from Durand, Hawn and Ioannou (2019), I define *conformity* as 'meeting and/or exceeding societal (informal) norms and obligations' (p. 300), and *compliance* as 'meeting legal, formal obligations' (p. 300). I view *corporate development* as an umbrella term, a 'gestalt' (Gray & Ariss 1985, p. 707), a pattern of strategic decisions related to 'the overall business direction of the firm' (Garg & Eisenhardt 2017, p. 1830). Both points on the continuum imply strategic choices, by which I mean a fairly comprehensive set of decisions (or lack of decisions) (Child 1972; Hambrick & Mason 1984) related to sustainable value creation, from issuing a human rights due diligence or sustainability report (which can affect reputation, trust, ESG ratings and access to capital) or reward systems and structures (which can affect talent attraction, acquisition and retention as well as ESG ratings and access to capital), to opening production facilities, new market entries, or mergers and acquisitions as choices in the area of corporate development. The continuum signifies a movement that, like any journey, is not a linear progression, but rather is filled with twists and turns, representing a shifting and contextual development in the emphasis and commitment of affective, cognitive and behavioural resources. It evolves from a focus on corporate purpose as a way to address normative pressures, towards a focus where purpose is also enacted as corporate development.

How directors understand and engage with purpose, with the influence of institutional investors, requires a cognitive explanation which rests on the assumption that leaders' conceptions of a variety of issues shape individual and corporate actions (Crilly & Sloan 2012; Porac, Thomas & Baden-Fuller 1989). I used strategic cognition (SC) theory (Hodgkinson & Thomas 1997; Kaplan 2011; Narayan, Zane & Kemmerer 2010; Schwenk 1988; Walsh 1995) to explain and interpret the nature and dynamics of director engagement. Adopting a strategic cognition perspective is appropriate to this study, as SC refers to processes of knowing and understanding, guides the study of a variety of strategy-related topics, and is connected to thinking processes, thoughts and human behaviour. In the context of this thesis, SC represents the lenses I adopted to study purpose as 'instrumentally salient for achieving strategic goals' (Bundy, Schropshire & Buchholtz 2013, p. 355). Furthermore, companies' responses to external pressure may vary, depending on leaders' views on corporate purpose (Crilly & Sloan 2012), hence the question of how institutional investors might affect director engagement. SC is critical to this study and I regarded a SC view of director engagement as the link or mediating mechanism between the context of this study (with a focus on investor stewardship) and a number of potential outcomes of director engagement, for instance, engagement at board level, trust and reputation or (as I discovered much later in the research process) the institutionalisation of corporate purpose. Figure 2 presents a strategic cognition organising framework for director engagement with purpose.

Figure 2 Strategic Cognition Organising Framework



The director engagement model explains how organisations (i.e. listed companies in the context of this study) can create value for society as well as for investors through engaged directors who view purpose as sustainable value creation, and act accordingly, and how institutional investors can enable director engagement through the exercise of their stewardship duties, which includes the integration of ESG factors in investment decisions. I posit that a set of directorial, governance and organisational contingencies (for instance, personality, role identity, motivation, time, chair, board structure and process, integrated reporting and culture) play a key role in creating the conditions for director engagement to happen, and that an investor stewardship approach based on an ESG integration strategy of activism, in particular in the form of engagement with directors of investee companies, acts as an enabling mechanism of director engagement. In particular, the model of director engagement explains firstly, how directors understand corporate purpose; secondly, what the main elements of engagement are; thirdly, how directors become and remain interested, knowledgeable and committed to corporate purpose; fourthly, how institutional investors influence director engagement via the exercise of their stewardship duties, which include the integration of ESG factors in investment decisions and a form of activism enacted through engagement with investee companies; fifthly, the set of directorial, governance and organisational contingencies affecting engagement; and finally, what the outcomes of director engagement might be, so that corporations can create value for society as well as for investors. In this thesis I propose that engagement accounts for how directors enact their fiduciary duties in terms of placing corporate purpose at the heart of their corporate governance activities. I also propose that the exercise of stewardship on the part of investors, through the integration of ESG factors as a cornerstone of investment decisions, particularly through a form of investor activism known as ‘engagement’, can be conducive to director engagement.

Having elaborated on the aim of this study, I now present its objectives.

Research Objectives

In this study I aim to explore and understand what constitutes director engagement with corporate purpose, and how institutional investors, through the exercise of their stewardship duties, contribute to director engagement in order to enable organisations (in this study, listed companies) to create value for society as well as for investors, and directors to make a difference to their companies. First and foremost, the research aim required me to set the objectives of the study by conducting a detailed and comprehensive literature review (relating to the concepts of corporate purpose, directors, engagement and institutional investors) (objective 1), in order to identify the gaps in the literature, justifying and positioning the thesis within the broader body of knowledge in the corporate governance field. The second objective is the creation of a conceptual model to unravel the process of director engagement, in the form of a conceptualisation and theorisation of the findings of an empirical case study. The third objective is the development of an initial theoretical understanding of director engagement viewed through the lens of SC. The fourth objective relates to offering insights and recommendations to develop SC theory further in the study of individual directors, while the fifth and final objective concerns the identification of implications for governance policy and practice. Consequently, the research objectives are:

Objective 1. Provide a detailed and comprehensive literature review relating to the concepts of corporate purpose, directors in their governance roles, engagement, and institutional investors

Objective 2. Propose a comprehensive and systematic approach to unravel the process of director engagement and identify how institutional investors contribute to this process.

Objective 3. Develop an initial theoretical understanding of the phenomenon of director engagement with corporate purpose.

Objective 4. Offer insights and suggestions to further develop strategic cognition theory.

Objective 5. Identify important implications for corporate governance policy and practice.

I now introduce the research questions.

Research Questions

Through various iterations and a pilot study (presented in the chapter entitled *Methodology*), I formulated a set of five research questions aligned with the study's problem, aims and objectives, as presented in the above sections. The questions revolve around a number of topics: firstly, what constitutes corporate purpose and how it can be defined; secondly, what constitutes director engagement with purpose and what its main elements comprise; thirdly, what the dynamics of director engagement are; fourthly, how institutional investors relate to director engagement; and fifthly, how and whether director engagement can contribute to corporations in a way which creates value for society as well as for investors. In summary, the research questions I aim to answer are:

RQ1. What is corporate purpose?

RQ2. What are the main elements of director engagement with corporate purpose?

RQ3. How does director engagement with corporate purpose unfold?

RQ4. How do institutional investors contribute to director engagement with corporate purpose?

RQ5. How can corporations, through director engagement with corporate purpose, create value for society as well as for investors?

In the following section, I attend to the approach I adopted to seek answers to these questions.

Research Strategy

As the research questions indicate, this thesis is primarily a study of how directors engage with purpose and how institutional investors contribute to their engagement. Thus, I am neither concerned with measuring engagement nor with verifying the hypothesis that institutional investors might correlate to engagement. Instead, this thesis revolves around understanding the dynamics of director engagement, how it unfolds, and how investors influence it. Consequently, the research strategy rests on a qualitative approach, in particular, that of the case study. Interpretivist, qualitative studies regard social phenomena as a construction by social actors through the media of culture, beliefs and language (Bluhm et al. 2010). I regarded this approach as an appropriate choice for this study and considered an in-depth examination of the phenomenon of director engagement in a particular context, and at a particular time, most suited to answer the research questions. Two definitions of qualitative research particularly resonated with me. The first is proposed by Van Maanen (1979), who sees qualitative research as 'an umbrella term covering an array of interpretative techniques which seek to describe, decode, translate, (…) certain more or less naturally occurring phenomena in the social world' (p. 520). This definition spoke to me as it highlights the *interpretative nature* of this type of research, flowing from the philosophical assumptions I adopted, which affected how I interpreted the evidence, into the procedures I used to study director engagement. The second definition is offered by Flick (2014, p. 542), who views qualitative research as 'interested in analysing the subjective meaning or the social production of issues, events, or practices by collecting non-standardized data and analysing texts and images rather than numbers and statistics'. This perspective resonated with me for its emphasis on the *subjectivity* and *social construction* character of the phenomenon at the core of this thesis. It situates my role as researcher at the forefront of this study, making my reflexions on the actions I took, and what I observed in the field, a key part of the knowledge I aim to produce. Specifically, I regarded a case-based approach as most useful, as I am exploring a relatively new phenomenon in a context generally not well understood (Bezemer Nicholson & Pugliese 2016; Eisenhardt 1989b; McNulty, Zattoni & Douglas 2013). I also considered a case study approach best-suited to the transitory nature of the phenomenon (Langley 1999) of director engagement, which can never be regarded as complete or 'be ticked off a list' (Goodall & Montgomery 2014, p. 399).

I believe the choice of an interpretative, qualitative research strategy is pioneering, in view of the philosophical and methodological approaches predominantly adopted in corporate governance research, namely positivism and quantitative methodologies based on secondary sources of evidence. Notwithstanding the differences between philosophical and methodological approaches to the study of governance, I based this study on a comprehensive review of the literature, including studies with different philosophical positioning and/or methodologies, as long as they related to the key concepts of this thesis. The literature review continued throughout the writing of this thesis, from the outset (when I planted the first seeds of what eventually became the scope of the study) to the end (thesis submission), as I made a conscious effort to keep updating, reviewing and understanding the literature before, during and after entering the field. I also intend to keep nurturing my knowledge of this field while waiting for my thesis's defence and beyond.

As part of the research strategy, I focussed data collection on directors of Swiss listed corporations, institutional investors who are shareholders in the selected corporations and a set of 'context' participants (I elaborate on this choice in section *The Swiss Context*). Before starting the main study, I conducted a pilot study to refine the main lines of enquiry, to test and develop my interviewing skills, and to experience what it would feel like to 'plunge (…) deeply into the processes themselves' (Langley 1999, p. 691). The pilot took place in Switzerland, the UAE and the US, and proved to be very useful in further focussing and defining the boundaries of this case study. Following the pilot, I proceeded with data collection for the main study in four phases (at times running in parallel). Firstly, I conducted nine semi-structured 'context' interviews, and reviewed a multitude of documents to develop an in-depth understanding of the context of Swiss listed corporations. Secondly, I carried out 22 semi-structured interviews with directors of 12 companies, five of which are listed in the Fortune Global 500. Thirdly, I conducted seven semi-structured interviews with Swiss and international institutional investors. Through these interviews, I collected data on the main constructs of the study, namely individual director engagement with purpose and institutional investors. I considered it important to explore the perspectives of directors, investors and context participants, in order to build a story of director engagement which would account for multiple perspectives, rather than those of the directors alone. Fourthly, I collected data on the constructs of interest through two direct observations of directors and investors 'in action', in the field. I also used secondary data (a combination of confidential and publicly available documents), including, but not limited to, policy papers, law texts, government white papers and strategy papers, articles of associations, annual reports, governance reports and codes, strategy presentations, investor reports, journal articles (mainly from the *Financial Times* and *The Economist*). Being in the field meant that over the last eighteen months I resided in Switzerland for extended periods of time and also travelled to the UK, the Netherlands and Germany for interviews and observations.

My original contribution to knowledge is in the area of strategic cognition, and I present it in the next section.

Research Significance and Contribution to Knowledge

In the interest of clarity and rigour, before elaborating on my original contribution to knowledge, I define what I mean by *originality* and *knowledge*. Since Plato, the question of what constitutes knowledge has occupied the great minds of the world, while the debate on originality dates back to the nineteenth century. By *originality* I mean 'the essential tension between accepted prior knowledge and new discoveries or ideas' (Grant 1996, p. 111), and by *knowledge* 'discoveries about phenomena that were not known previously' (McFayden & Cannella 2004, p. 735). My original contribution to knowledge is in the area of SC applied to the phenomenon of director engagement with purpose, with directors as key governance actors. My contribution is situated both at the theoretical and the applied level, the latter in terms of implications for policy and practice.

Theoretically, my contribution rests on the elaboration of an initial model of director engagement with purpose, as a strategic cognition process of knowing and understanding a corporation's *raison d'être*. Through the application of SC, I have uncovered the initial elements and dynamics of director engagement, as depicted in the *director engagement with corporate purpose model*. My original contribution to knowledge is at six levels. Firstly, the study recognises directors as strategic decision-makers who understand purpose as sustainable value creation. It shows that directors regard purpose neither as a philosophical topic related to the social aims or responsibility of corporations, nor to moral obligations, but rather as the core *raison d'être* of commercial entities that exist to create value sustainably. What is distinctive in purpose in the twenty-first century in *how* value is created. Purpose emerges as core directorial business, intrinsically linked to directorial governance roles, directors' fiduciary duty to protect the interest of the company, and their legal responsibility for the overall management of the company and its strategic direction. The sustainability attribute of purpose, or *how* value is to be created, emerges as multidimensional, entailing financial, social and environmental aspects which have different degrees of relevance in the short and long term.

Secondly, director engagement with purpose emerges as a directorial SC process of knowing and understanding purpose. Engagement emerges as an affective, cognitive and behavioural mechanism, predicated along a *continuum* which ranges between *conformity and compliance* to *corporate development*. A continuum is necessary because the cognitive process of engagement is neither a linear progression nor a dichotomy of engaged/disengaged directors, as directors can find themselves *at* both ends of the continuum and can move *along* the continuum, given the shifting nature of engagement. This temporary nature indicates that engagement, and the directorial role performance it represents, can vary significantly in terms of resource commitment, and depending on a set of contingencies, by which I mean factors or conditions influencing engagement (Owens & Hekman 2012). Contingencies determine where directors are situated along the continuum and how they might move on it, and comprise directorial, governance and organisational factors. Directorial contingencies include personality, role identity, competence, motivation, generational shift and time. Among governance contingencies are the chair, board structure and process, integrated reporting and public ownership, while the organisational contingency affecting engagement is culture.

Thirdly, the study suggests that institutional investors, by enacting their stewardship duties through a form of activism known as engagement, exercised around ESG topics which relate to purpose, are able to demand director attention through behavioural integrity, knowledge of the investee company, strategic relationships with directors (chairs and vice-chairs in particular), and an investment time horizon aligned with corporate purpose. Neither investor nor investment size (assets under management and percentage of voting rights respectively), appear to play a role, as small investors are equally able to demand director attention if the above described conditions are met. Proxy advisors support director engagement in terms of conformity and compliance and are not conducive to the movement towards engagement as corporate development.

Fourthly, director engagement towards the far end of the continuum is viewed as possible both in public and private ownership, as long as the chair leads on qualitatively different relationships with investors to ensure alignment of purpose, and the trade-offs it entails, and investors display behavioural integrity and knowledge of the company, engage strategically with directors (chairs in particular), and have an investment time horizon aligned with purpose.

The fifth contribution concerns ESG and integrated reporting. Despite cross-industry initiatives,[6] a multitude of single-issue niche groups, and 230 sustainability standards for over 80 sectors in 180 countries (Solvang 2018), directors and investors face several competing sets of standards by which to measure and report ESG factors, often entailing intangible concepts and sources of capital beyond the financial (for instance human, social and natural). Furthermore, a common preference to categorise ESG factors as ‘non-financial’ shapes the current policy debate on the integrated reporting of financial and non-financial factors as a ‘1+1’ discussion, promoting the illusion that ESG opportunities and risk are anything other than financial. Consequently, the developments in integrated reporting, including the EU Non-financial Reporting Directive II (EU 2014) and Non-binding Guidelines (EU 2017), indicate that ESG factors should be reported separately, or in separate sections of financial statements, rather than being accounted for in numbers and fully integrated within financial reports, a format which urgently needs to be adapted to the twenty-first century. The lack of global standards, coupled with a myopic view of ESG, impair the movement of director engagement with purpose towards corporate development, as directors can continue to relegate ESG issues to ‘non-financial matters’ with little to no impact on the bottom-line, treating them as non-core factors in strategic decision making, divorced from reality.

Sixthly, this research extends discussion in the corporate governance field, offering insights into directors’ attitudes, values, beliefs and behaviours, and into their interactions with investors, answering calls for a better understanding of these actors and the dynamics between them (Aguilera, Florackis & Kim 2016; Aguilera et al. 2015; Goranova & Ryan

[6] Among others, the Global Reporting Initiative, the Financial Stability Board Task Force on Climate Related Financial Disclosures, and the Sustainability Accounting Standards Board.

2014; Judge, Gaur & Muller-Khale 2010; Kumar & Zattoni 2019; McNulty & Nordberg 2016). This thesis contributes to the emerging tradition of qualitative studies in corporate governance. I hope that the fact that this study was completed by a doctoral student of limited financial means (as opposed to an experienced researcher or team of researchers tapping into funding support) will inspire future colleagues in corporate governance to overcome fears that getting close to those in governance is impossible, and encourage them to enter this field of research.

Concerning the implications for policy and practice, policy implications relate to directors' duties of strategy, integrated reporting and governance disclosure. As for implications for practice, they include the role of the chair, the talent pipeline and education for directors, and board structure. Having elaborated on my original contribution to knowledge, I now present the structure of the thesis.

Structure of the Thesis

To reflect the research strategy, this thesis is structured in six chapters. In this chapter, I presented the research background, problem, aim, objectives and questions and my original contribution to knowledge. In *Literature Review*, I identify and discuss relevant findings, conceptualisations and theorisations from previous studies, and the holistic perspective emerging from the literature review, concluding with the preliminary conceptual model denoting my precise theoretical and empirical focus for the study. In *Methodology*, firstly I present myself as researcher; secondly, I justify the choice of case study, set the scene for the case, present the pilot study and introduce how I went about overcoming the access constraints, collecting data, analysing and interpreting the evidence. In *Findings*, I present the findings of the study. In *Discussion and Contribution*, I bring together the findings on director engagement, and outline the initial conceptual model of director engagement with corporate purpose and my original contribution to knowledge, followed by implications for policy and practice, limitations, and avenues for future research. In *Conclusions, Limitations and Future Research Directions*, the final chapter, I present a synopsis of the entire thesis, its limitations and future research directions.

Chapter 2: Literature Review

Introduction

In this chapter I present a comprehensive review of the literature on the key concepts of this thesis. Firstly, I present a brief history of the corporation through the late twentieth century. Secondly, I review the development of corporate purpose through the social sciences and through the twenty-first century. Thirdly, I review governance directorial roles, highlighting how they might relate to strategic decision-making and corporate purpose, and why it is important to study individual directors. Fourthly, I present an interdisciplinary review of the concept of engagement, summarising the little that is known about director engagement with purpose, and justifying why it is critical to explore this phenomenon. Fifthly, I review the literature on strategic cognition and the little that is known on directorial strategic cognition. Sixthly, I review the literature on institutional investors, particularly their stewardship exercised via a form of activism known as 'engagement' and elaborate how this might contribute to director engagement. Seventhly, I present an organising framework for studying director engagement, as it emerges from the literature review. I conclude with the proposed, preliminary conceptual model denoting the precise range of theoretical and empirical focus of the study.

A Brief History of the Corporation

The lineage of the modern corporation can be traced back to antiquity (Rowland 2005), the earliest examples being associations, universities, holy orders and cities. Corporate purpose was designed to ensure the uninterrupted functioning of institutions which needed human governance. Historically, cities and churches were the first non-business corporations (Fox 1996; Houseman 1993), while the business corporation only developed centuries later and for very specific purposes. The ancestors of the business corporation, dating back as early as the fourteenth century, were the chartered trading companies of the European economic powers in search of resources and colonies around the globe (McNulty 1972). The first entities for managing businesses were forms of corporations granted in the mid-sixteenth century by royal charters, for economic purposes including, among others, earning a profit (Morley 2016). The merchant trading companies were partnerships established by royal or parliamentary decree, with the goal of protecting and developing monopoly trading (Rowland 2005), fostering discovery and economic development. As an extension of nations, states or kingdoms, merchant companies would typically hold their charters as long as their undertakings served national goals. Thus, the origins of the merchant companies were rooted in public interests and aims, and also featured a profit purpose (Mayer 2013). The modern corporation was born in 1600, with the establishment of the East India Company under a monopoly and charter granted by Queen Elizabeth I for the development of trade to the east of the Cape of Good Hope (*The Economist* 2011). The East India Company represents 'one of the world's first multinationals' (Clegg 2017, p. 45), its innovations featuring the shareholder ownership model and the administrative structure of the modern corporation (Clegg 2017; Robins 2006).

The speculative excesses of high-profile merchant companies, such as the British South Sea Company in the early eighteenth century, damaged public approval of chartered trading companies (McNulty 1972). These excesses are relevant, featuring among the first documented corporate scandals, and representing instances where purpose seemed to be essentially about profit. The nineteenth century marked the beginning of freedom of incorporation and the origin of the private corporation. In 1811, the State of New York enacted an incorporation law no longer requiring a charter but simply a general account of the type of business to be undertaken (Perrow 2002; Rowland 2005). Similarly, in Britain, the Joint Stock Companies Act of 1844 allowed corporations to be created with a simple registration and an indicative, brief description of the nature of their activities. These historical developments marked the evolution of the corporation from a public instrument with a clearly defined public purpose to ‘an all-purpose legal mechanism for facilitating the carrying on of business within a market economy’ (Rowland 2005, p. 292). It is at this stage that corporate purpose begins to have in profit ‘its leading element’ (Williamson 1981, p. 1559). This brief history indicates that the purpose of corporations has historically been public interest, or the pursuit of economic and social aims. Only in the late twentieth century did the dominant aspect of purpose appear to be commercial, its social dimension moving to the background, indicating an increasing disregard for how commercial aims could be attained. In the next sections I turn to how corporate purpose shifted throughout the twentieth century and to the present day.

Corporate Purpose

Introduction

‘It helps in hitting the mark, said Aristotle, to know what it is you are aiming for’ (Aristotle 1925[7], cited in Vallance 1993, p. 45). In other words, clarity on the purpose or the aim of human endeavours should come before debates on the endeavours themselves. Aristotle’s words point to the importance of engaging deeply with the matter of purpose to gain clarity on what corporations are for. Asking directors about corporate purpose is similar to a human being asking, ‘Why do I exist?’, a potentially philosophical question (Campbell & Yeung 1991), most likely to leave directors puzzled (Mayer 2017). In management and corporate governance, there is normally little room left for discourse not directly related to business, although there is much to learn from other perspectives in search of answers to the challenges of our time, and the much debated question of purpose (Cremers 2017; Hengeveld 2019; Hollensbe et al. 2014; Mayer 2016, 2017; Mayer, Wright & Phan 2017; Pirson, Martin & Parmar 2017; Rynes et al. 2012; Saint 2005; Vallance 1993). Intuitively, it is relatively straightforward to understand that the purpose of practising medicine is to heal, the purpose of the law is justice, and the purpose of the priesthood is to surrender to a concept of God (Byron 1988). In consumer terms, the purpose of a taxi ride is to move people or goods from place to place, while the purpose of water is to quench thirst. In other words, we have a human tendency to think of purpose in relation to the most typical use of goods and services. However, what constitutes corporate purpose is not as straightforward. Purpose might appear in mission or vision statements and/or on corporate websites. However, for corporations to create value, purpose needs to go beyond a statement, and be embedded at the heart of

[7] Aristotle (1925). *The Nichomachean Ethics*, translated byDavid Ross. Oxford: Oxford University Press.

business, so that it can drive corporate policies and actions. Hence, the question arises as to how directors understand purpose and engage with it. An enquiry into purpose is relevant, given the current debate about corporations' role in society and the self-fulfilling nature of economic theory (Ferraro, Pfeffer & Sutton 2005). Fundamentally, it is legitimate and reasonable both for society to expect corporations to add social value, and for investors to maximise the value of the assets entrusted in their care, and corporations' need, among other things, to be financially healthy in order to remain in business. However, how these expectations and needs can be reconciled is a matter filled with tensions.

The Development of Corporate Purpose

In this section, first I review the development of purpose through the humanities. Then, given that economics, law, and management scholarship are key drivers of business endeavours, I explore how purpose has filtered through these fields.

The humanities view organizations as social phenomena essential to the relational nature of mankind (Pirson & Lawrence 2010). Focus on purpose is connected to a generally accepted acknowledgment of the interdependence of business and society. Over 2,400 years ago, in his work *The Politics*, Aristotle (1981) regarded human beings as social animals, with a tendency to associate, create and live in communities. Sociability is linked to the ability to empathise with others, to cooperate with and help fellow humans (Melé 2011) and offers an explanation for the roots of communities (including business organizations) and society. In modern times, this view of humans extends to corporations, regarded as communities of people, and their relationships (MacIntyre 2007; Melé 2011), as well as business endeavours clearly aiming at creating economic and social value. Theology offers a broader perspective on life, relevant to the business world (Loomis 2006), and hence important in understanding purpose. The Pew Research Centre (2015) estimates that by 2050 the majority of the world population will be Christian or Muslim. Islam and Christianity, among other religions, deal with many aspects of daily life (Uddin 2003), and value human dignity, man's accountability to God and fellow men, solidarity, unity, care and compassion (Cremers 2017; Frémeaux & Michelson 2017; Sison & Fontrodona 2012; Uddin 2003). Business is regarded as a pursuit of 'theological significance' (Byron 1988, p. 525; Uddin 2003, p. 26) and a 'dignified activity' (Uddin 2003, p.26), not just an activity to be tolerated or allowed. 'The nature and purposes of corporations are unavoidably religious' (Colombo 2017, p. 814), as purpose is linked to serving society. In theology, human endeavours are neither atomistic nor altruistic. Rather, they are about doing something for others on the condition of receiving something of fair value in return (Byron 1988; Hollensbe et al. 2014). This is an important point, supporting a view of corporations as human enterprises that are commercial at heart, and emphasising the importance of *how* they achieve their aims. Surprisingly, in the social sciences, religious and business discourses remain largely in separate fields, indicating the need to bridge across different disciplines if we are to appreciate how corporations can add value. A considerable body of literature acknowledges that humans are born to interrelate and perceive themselves as part of a bigger whole (Crocker & Canevello 2012; Rynes et al. 2012). Even though they are assumed to be self-interested, as is the case in neo-classical economics (Miller 1999), they do possess the ability to empathise, be compassionate, and are motivated by caring about others, as no person and no human endeavour (such as corporations) exists in a vacuum (Crocker & Canevello 2012; Mikulincer & Shaver 2005, 2010). In fact, among the root causes of the challenges of our time is a failure to consider the relational nature of the corporation (Cremers 2017; Kochan 2002), and a lack of regard by corporations for the effects of their actions on others. Somehow, since Adam Smith's observation in 1776 that profit was by no means 'all that it is needed' (Berry, Paganelli & Smith 2013, p.583), the social dimension of business undertakings has been overlooked or disregarded.

In economics, purpose has mainly been conceptualised as shareholder value, which remains 'the most celebrated corporate target' (Loderer et al. 2010, p. 5); indeed, it has been argued that 'the ultimate purpose of the firm is to maximise profits' (Conner 1991, p. 123). A preoccupation with the optimal use of scarce resources runs through the history of economics, the corporation being an important element in the larger mechanism of the market economy (Rowland 2005), which is in turn viewed as an instrument for converting self-interest into social welfare. The system is assumed to 'work itself' (Coase 1937, p. 387) and features a rational, self-interested *homo economicus* (Anderson 2000). In classical economics, corporations are organizations obtaining resources for production, and are supposed to make money through sales activities (Turnbull 1997), although economists have long noted that money also needs to be embedded in moral and social norms (Polanyi 1944; Smith 2010). Economist and entrepreneur Owen warned that commercial aims would have far reaching effects on society and needed to be tempered with 'conscious social direction' (Owen 1817,[8] cited in Polanyi 1944, p. 134). Thus, in economic thought, we find a nuanced view of corporate purpose, and the acknowledgment that purpose might exercise a tempering effect on the legitimate pursuit of commercial aims. Furthermore, this development of purpose indicates that it might play a role in the reconciliation of societal and business expectations with respect to corporate aims and *how* they are achieved.

[8] Owen, R. (1817). *Report to the Committee of the Association for the Relief of the Manufacturing and Labouring Poor*.

Unfortunately, these teachings have been distorted in their adoption by subsequent practitioners. George Stigler and the Chicago School of neoclassical economics offered one of the most famous distortions: that purpose is about efficiency improvements and human motives driven by self-interest (Sen 2013; Stigler 1971). The common interpretation of Milton Friedman's (1970) publication in *The New York Times* offers another distortion. Although Friedman did argue that the purpose of corporations is to increase profits, he added that this is to be achieved 'so long as it stays within the rules of the game' (p. 22) and 'while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom'(p. 33). Common wisdom has overlooked Friedman's attention to the *how* of purpose. Given that rules of society, the law and ethical customs are contextual and changing, *how* commercial aims are achieved is as important as the aims themselves. Consequently, among the leitmotivs of neoclassical economics, a view remains that in the rational pursuit of one's own interest, there is no space for morality, social commitment or care, since companies exist because they possess superior abilities to efficiently temper opportunistic behaviour through the exercise of control (Williamson 1979). However, neoclassical economists also noted that this reasoning has limitations (Coase 1960; Dobson 1999; Polanyi 1944), as it ignores the context of human actions and motives, as well as companies' broader economic objectives and the role a shared purpose can play in creating context for the evolution of a corporation (Ghoshal & Moran 1996).

In corporate law it is quite difficult to find support for the view of purpose as maximization of shareholder value (Deakin 2005). Ever since the creation of the notion of corporate personhood, academics have debated its purpose and the obligations of those who direct it (Lan & Heracleous 2010; Letza, Sun & Kirkbride 2004; Wallman 1999). In the US, the famous Berle-Dodd dialogue of the 1930s addressed the topic (Weiner 1964). According to common wisdom, Berle and Dodd disagreed on the question of whose interest corporate fiduciaries were acting in when managing a corporation, and on the purpose of the corporation. Berle (1932) argued that powers granted to a corporation had to be exercised in shareholders' interests, while in the traditional legal view, a corporation is an alliance of shareholders 'formed for their private gains' (Dodd 1932, p. 1147), yet 'it is undesirable (…) to give increased emphasis (…) to the view that business corporations exist for the sole purpose of making profits for their stockholders' (Dodd 1932, p. 1148). A careful review of the dialogue indicates that Berle and Dodd agreed that a company should be managed in the interests of the shareholders but disagreed on how other interests should be taken into account (Licht 2004). Berle (1932) noted that, in practice, managers do not recognise a social purpose, and the maximization of shareholder value holds its ground as the predominant purpose due to the non-existence of a clear and enforced alternative. I argue that there is a problem with this reasoning. Although the 'beauty' of shareholder value is its apparent simplicity, as it offers a clear mission and facilitates decision-making (Loderer et al. 2010; Tirole 2001), an alternative to shareholder value is yet to be found, and we still lack a shared view of how corporations and directors can add value. I argue that a way out of this conundrum is to start asking directors how they view purpose, and study their engagement with purpose, as an initial step in understanding how corporations can create value and how directors make a difference.

Although I am concerned neither with exploring the essence of value, nor with finding alternatives to shareholder value, I note a substantial stream of literature examining these topics (Allen, Carletti & Marquez 2007; Bapuji et al. 2018; Blair 1995; Cremer et al. 2019;

Hinna & Monteduro 2017; Mahoney & Qian 2013; Porter & Kramer 1999; Tirole 2001), and that the meaning of maximising shareholder value remains the object of debate. Beyond terminology, what is really meant by shareholder value is maximisation of the equity market price for the shares of listed corporations (Dobson 1999) or share price maximisation (Hansmann & Kraakman 2000; Wallman 1999). This is possibly a flawed measurement of value to begin with, as the story of WorldCom (among others) indicates.

Some corporate law scholars hold a broad view of purpose (Blair & Stout 1999; Clarke 2013; Stout 2012, 2013; Wallman 1999; Weinstein 2013), while others note that not even countries appearing as the most shareholder-friendly (such as the US or the UK) have a legal requirement for directors to act in the sole interest of shareholders (Loderer et al. 2010). In most legal systems, regulation requires or recommends directors to act in good faith and in the interests of the corporation (Clarke 2013; Deakin 2005), although what these interests might be is open to interpretation. Given that the corporation acquires legal personality upon incorporation (Aguilera et al. 2015; French 1979; Hansmann & Kraakman 2000; Lan & Heracleous 2010), scholars theorise different perspectives on agency, viewing the corporation as principal, rather than the shareholders, in whose interest agents should act, supporting a broader view of purpose (Lan & Heracleous 2010). This perspective has important consequences for conceptualising director engagement as, through engagement, directors may become clear about the interests of the corporation, and eventually drive strategic decisions anchored in purpose to create value. In this regard, it is worth noting one of the most remarkable developments of the last decade (Mayer 2017) in the area of corporate personhood and purpose. Following growing dissatisfaction with shareholder primacy, legislators in the US allowed the incorporation of an entity as a public benefit corporation (B-corporation) (Alexander 2016; Mayer 2016), with a formal public purpose beyond commercial aims (Steingard & Clark 2016). It remains to be seen how this legal form might contribute to value creation.

In management scholarship, although shareholder value is the 'leitmotif of wealth creation' (Windsor 2001, p. 226), it has come under increasing scrutiny (Martin et al. 2016) A view has developed that commercial and social aims can coexist (Garriga & Melé 2004), and that the satisfaction of stakeholder interests can be instrumental to maximising shareholder value (Campbell 2007; Hillman & Keim 2001; Hillman, Keim & Luce 2001; Kumar & Zattoni 2019; Mitchell, Agle & Wood 1997; Ogden & Watson 1999). Scholars have noted that stakeholders and society are increasingly exposed to the costs and risks of corporate actions (Letza, Sun & Kirkbride 2004; Phillips, Freeman & Wicks 2003; Schneider & Scherer 2015; Turnbull 1997), as corporations are cultural and social systems (DiMaggio & Powell 1983; Judge, Douglas & Kutan 2008), reflecting societal values and playing a broader role in our lives (Hatch 2013; Selznick 1957).

Revlon's use of chemicals linked to cancer in its products; Kimberly-Clark's destruction of forests for throw-away tissues; the mining industry's giants such as Glencore or BHP use of child labour in cobalt and lithium extraction, and the ethical and legal issues these pose to their customers (Coles 2019; Gunther 2015; Hume 2019), are all indications that purpose needs to assume a broader dimension. By examining how directors engage with purpose there is therefore a promise of a better understanding of how a broader dimension of purpose can be defined and delivered, and the role directors can play in it. Having reviewed the development of purpose across disciplines of the social sciences and over time, I now look at how it is regarded as it enters the twenty-first century.

Corporate Purpose in the Twenty-First Century

Reviewing previous movements in the view of purpose, the key insight of this much-debated concept, and the contrasting views presented above, lies in the recognition that purpose has various dimensions which can be complementary, and that there is a need to look beyond simply maximising shareholder value (Edmans 2017; Hollenbse et al. 2014; Martin et al. 2016; Mayer 2017), if corporations are to create value. The Edelman (2019) Trust Barometer, a survey with over 33,000 participants in 28 countries, continues to report a collapse in trust towards business. Such a pervasive crisis of trust has reached the level of a systemic threat to humanity (Edelman 2019). Expectations that business will promptly address the issue are high (Bansal & Song 2017; George et al. 2016; Hill 2019; Mayer 2017; Pirson, Martin & Parmar 2017), as trust, or the lack of it, matters. Trust is indeed the ‘lubricant of society’ (Luhmann 1979, cited in Pirson, Martin & Parmar 2017, p. 1). Scholars call for new consideration of the way business is conducted and governed (Mayer, Wright & Phan 2017; Metcalf & Benn 2012; Pirson & Lawrence 2010). Although it is beyond the scope of this thesis, the Academy of Management’s call for research into alternatives to capitalism (Phan, Siegel & Wright 2016), and into alternative forms of capitalism (Mayer, Wright & Phan 2017) indicates the sense of urgency pervading the field.

In the twenty-first century, corporations, particularly global corporations (Mayer 2016, 2017) such as L’Oréal, Bosch, China National Petroleum, Novartis, Saudi Aramco, Amazon, Google or Shell, have considerable market, social and political power (Mayer, Wright &

Phan 2017; Starbuck 2014). They are becoming the new leviathans (Chandler & Mazlish 2005; Mayer 2013), swiftly exploiting regulatory gaps and national differences for their own benefit (Schneider & Scherer 2015) and threatening the survival of humanity (Metcalf & Benn 2012). These 'new supernatural organizations' (Beck 2008, p. 794) are among the 'world's most powerful social entities' (Phillips 2003, p. 1) and are expected to contribute to finding solutions to the challenges of our time (Priem et al. 2018; Scherer & Smid 2000). The challenges we face are beyond governments' capabilities, and public money will not be sufficient to finance a sustainable economy (EU 2018). Investment and business communities, therefore, have a role to play in building a sustainable future. Furthermore, activism has developed into a force that corporations have to reckon with (Berry 2003; Briscoe & Gupta 2016; Ingram, Yue & Rao 2010; Lee & Lounsbury 2011), as they are frequently theorized by a range of activists, aiming to force changes in corporate conduct (Cundill, Smart & Wilson 2018; Goranova & Ryan 2014; Greenwood & Schor 2009; Kahan & Rock 2010; Renneboog & Szilagyi 2011; Rock 2018; Sjöström 2008; Tkrac 2006).

From a corporate and investment perspective, these challenges do not exist in a different sphere. They represent risks and opportunities that are anything but tangential to business and investment decisions (Van Duuren, Plantinga & Scholtens 2016), as they are fundamental to how corporations access capital and create value. ESG factors can act as indicators of risks and opportunities that may affect the financial bottom line, hence the ability to create value, and to attract capital. For instance, they can point to upcoming regulation (as was the case in the Facebook Cambridge Analytica scandal of 2016, which accelerated the European General Data Protection Regulation). They can be instrumental in shifting consumer preferences (for instance towards healthier food and lifestyles) or affect a corporation's ability 'to produce people’ (Hollensbe et al. 2014, p. 1229), in other words committed and dedicated employees. In search for answers as to what constitutes corporate purpose and how corporations can create value, attention is going beyond the role of government to include systems and processes of corporate governance.

Initiatives such as *The Purposeful Corporation* (Big Innovation Centre 2017), launched in the UK; the call of the Academy of Management for the future of the corporation (Mayer, Wright & Phan, 2017; Phan, Siegel & Wright 2016); the *Future of the Corporation* programme of the British Academy (2017); and US senator Elizabeth Warren’s proposal of the *Accountable Capitalism Act* (Indap 2018), are testimony to the rising interest in corporate purpose and its role in the future of humanity. The corporation is in need of reinvention as a vehicle to promote the interests of society and investors (Mayer 2016, 2017) and, if we are to address the troubling disconnect between business and society, we need to understand more about purpose and the role the processes and people involved in governance, including directors, can play. Since ‘collectives do not act, only people do’ (Rousseau 1985, cited in Bridoux & Stoelhorst 2016, p. 231) and ‘corporate outputs are influenced by individual outputs’ (Nicholson & Kiel 2004, p. 449), we need to study individual directors, rather than boards as homogeneous groups (Long, Dulewicz & Gay 2005; McNulty & Pettigrew 1999), so that we can account for variances among them (Bezemer, Nicholson & Pugliese 2018; Guerrero et al. 2017; Harrison et al. 2018). The stream of governance studies with individual directors as a unit of analysis is relatively recent, and based on the premise that some directors can have ‘far more influence than others’ (Hambrick, Werder & Zajac 2008, p. 382), and ‘certain directors can sway the entire board to be more or less involved’ (Judge & Talaulicar 2017, p.136), hence individual directors can potentially sway other directors, the board and the company towards engagement with purpose. I posit that an important step in this direction is to examine how directors view and engage with purpose, as through engagement they may contribute to the corporation’s reinvention, eventually placing purpose at its heart. It can be assumed that individual differences exist among directors (Hillman, Nicholson & Shropshire 2008). Thus, if purpose-driven boards are to make good, value-creating decisions, it is essential to examine how directors engage with purpose. In the next section I review the roles assigned to directors in corporate governance and how they might relate to purpose.

Directorial Roles in Corporate Governance

In this section, I present the definition of corporate governance adopted in this study, and elaborate on who directors are, how their roles have been theorised, views of power typically assigned to directors, and their shortcomings as regards to engagement with purpose. I conclude with the gaps in our knowledge as to how directors can make a difference.

In most legal entities today with a governance requirement, a group of people typically known as the board of directors have responsibility for monitoring the activities and strategic direction of the company. Although boards have a key role in governance (Almandoz & Tilcsik 2016; Baysinger & Butler 1985), they usually delegate strategic activities to management (Berle & Means 1932; Hillman & Dalziel 2003; Judge & Talaulicar 2017). Nonetheless, governance systems do exist (such as in Switzerland, the empirical context of this study), where the responsibility for managing the company and its strategic direction is codified in law and cannot be delegated. Delegation can distance directors from the business and reduce directorial involvement to brief discussions and rubber stamping of management proposals (Herman 1981; Westphal & Zajac 1995), with important consequences for how directors and their companies can create value. Strategy, as the 'overall business direction of the firm' (Garg & Eisenhardt 2017, p. 2016), is no longer an area reserved for the CEO (Chief Executive Officer) and the senior management teams (Pugliese et al. 2009). The literature, however, tends to focus on 'finding the level of board involvement that is conducive to effective strategy formulation' (Federo & Saz-Carranza 2018, p. 414), assuming that strategy remains most often delegated to management (Hillman & Daziel 2003; Pfeffer 1972; Pfeffer & Salancik 1978). Furthermore, most governance research has studied boards (and, more recently, directors) from a distance, based on archival data (Aguilera, Florackis & Kim 2016; Boivie et al. 2016; Kumar & Zattoni 2019; McNulty, Zattoni & Douglas 2013; Stiles & Taylor 2001), and for this reason research in the real world of governance is much needed. Studies indicate that boards and directors are responsible for setting and contributing to the top-level context and parameters of strategy (Jensen & Zajac 2004; McNulty & Pettigrew 1999; Pugliese et al. 2009; Stiles 2001). In particular, Stiles' study found that by establishing the business definition (which I argue should rest on corporate purpose), monitoring it and building confidence in it, they can influence strategy. Over the last decades, governance systems have profoundly changed across the world. Globalisation, governance scandals, accountability and expectations of greater transparency have placed directorial roles and duties at the heart of the governance debate (Ingley & Van Der Walt 2001; Kiel & Nicholson 2003; Pugliese et al. 2009). While control (and independence) are generally theorized as important, shareholder value maximization seen as core directorial duty (Fama & Jensen 1983a; Jensen & Meckling 1976; Jensen & Zajac 2004; Lorsch 2017; Mizrucki 1983), roles beyond monitoring, for instance in strategy, are widely debated (Daily, Dalton & Cannella 2003; Golden & Zajac 2001; Zahra & Pearce 1989;). Scholars recognise that key fiduciary responsibilities go beyond monitoring and extend to other roles and strategy

(Brauer & Schmidt 2008; Fama & Jensen 1983a; Federo & Saz-Carranza 2018; Judge & Talaulicar 2017; Kim, Burns & Presott 2009; Weitzner & Peridis 2011). Hence it is important to review directorial roles and how they are situated in the field of governance.

Boards, and their directors, are key corporate governance actors, next to shareholders and managers (Aguilera 2005). They represent a corporation's highest legal authority (McNulty, Zattoni & Douglas, 2013; Starbuck 2014), are viewed as mediators between the corporation and society (Parsons 1960) and have been described as the conscience of the corporation (Mace 1971). The term corporate governance dates back to the 1970s and was coined in the wake of corporate scandals (Ocasio & Joseph 2005). Governance is a social construction and its definition evolved over time depending on viewpoints (Aguilera et al. 2015; Tihanyi, Graffin & George 2014). Fundamentally, governance is concerned with the structure of rights and responsibilities among those holding a stake in the company (Aguilera, Florackis & Kim 2016; Aoiki 2001), and with corporate power being properly channelled to the benefit of society (Judge & Talaulicar 2017), although other definitions exist (Daily, Dalton & Cannella 2003; Davis 2005; Donaldson 2012). *Corporate Governance: An International Review* (CGIR), a leading academic journal in the field, adopts a broader definition: 'the exercise of power over corporate entities so as to increase the value provided to the organization's various stakeholders as well as making those stakeholders accountable for acting responsibly with regard to the protection, generation and distribution of wealth invested in the firm' (CGIR 2019). I adopted this definition as it focusses on the exercise of power (I will return to this point) and value creation for a broad group of stakeholders. This definition aids the development of a predictive, rather than descriptive, global theory of corporate governance (Judge 2009, p. iii), aiming to influence what governance ought to be, and how corporations should be governed (Carver 2010; Donaldson 2012). For any governance proposition to prove useful upon its implementation, including the ones I present in this thesis, it must anticipate changes rather than merely describe what happens in practice, in the status quo (Donaldson 2012; Starbuck 2014). Since I aim to examine director engagement in light of insights that might emerge to guide corporations in the future, the adoption of this definition of corporate governance seems appropriate.

Directors have legal responsibilities, and their roles have evolved over time (Boivie et al. 2016; Judge & Talaulicar 2017; Klarner, Yoshikawa & Hitt 2018), resting either on the foundation of governance or on the evolution of its conceptualisations. At the heart of governance is agency theory, and its key concepts of agency problem and shareholder interests (Aguilera, Florackis & Kim, 2016; Daily, Dalton & Cannella 2003; Filatochev & Boyd 2009). Shareholder value maximisation, incentives and board independence feature as ‘mantras of corporate governance’ (McNulty, Zattoni & Douglas 2013, p. 194). Traditionally, directors perform two broad roles: monitoring (much investigated) and resource provision (less studied) (Hillman & Dalziel 2003; Hillman Nicholson & Shropshire 2008), although this task classification has been disputed (Machold & Farquhar 2013). These roles may be complemented with service and strategy roles (Stiles & Taylor 2001; Zahra & Pierce 1989) or substituted with monitoring and service roles (Judge & Talaulicar 2017). Beyond role taxonomies, I take the view that to get closer to what directors do, we need to examine how they think, and how they engage with purpose. For this reason, I will consider the activities directors are tasked with and might carry out, including monitoring and service, in the broadest sense.

Rooted in agency theory, monitoring is viewed as primary directorial role (Berle & Means 1932; Eisenhardt 1989a; Hambrick, Misangyi & Park 2015; Jensen & Meckling 1976), directors being first and foremost agents tasked with safeguarding shareholders' interests through monitoring the company's affairs, nominating and compensating executives, and auditing and reporting on the finances (Baysinger & Butler 1985; Daily, Dalton & Cannella 2003; Fama & Jensen 1983b; Hillman & Daziel 2003; Hillman et al. 2008; Kosnik 1987; McNulty, Florackis & Ormrod 2012). In an agency relationship, one or more people (the principals) engage another person (the agent) to carry out activities with delegated authority for decision-making. Shareholders are viewed as principals (Jensen & Meckling 1976), directors as first-order and managers as second-order agents (Eisenhardt 1989a). Directors monitor managers to protect the interests of their principals (Hillman & Daziel 2003), assuming managerial self-interested behaviour. In this role, directors act as 'the company watchdog' (Guerrero et al. 2017, p. 136), focussing on corporate performance in carrying out their key fiduciary responsibilities (Aguilera, Florackis & Kim 2016; Brauer & Schmidt 2008; Fama & Jensen 1983a, 1983b; Kim, Burns & Presott 2009; Weitzner & Peridis 2011). Therefore, in a strict view of agency, this role rests on a view of governance as a mechanism for signalling robust risk-control to investors (Schneider & Scherer 2015), although in reality this robustness is often absent, prompting the question as to whether directors make any difference (Boivie et al. 2016). A recent example of the lack of robust risk-control by directors was seen in Australia. As reported in The Guardian, after intense pressure, the government established a Royal Commission on the banking industry to investigate if any of Australia's financial entities had engaged in misconduct (Hutchens 2018) and found evidence of a lack of robust risk control at managerial and governance level, among others. The challenges of our time fuel interest in how governance can contribute solutions, yet decades of studies on directorial monitoring, attempting to link structure to financial performance, have yielded mixed results (Boivie et al. 2016; Bhagat & Black 2002; Dalton et al. 1998, Dalton et al. 1999). Questions emerge about whether a group of people who meet sporadically, and without involvement in the business, can plausibly understand what is really happening, let alone control it (Boivie et al. 2016; Starbuck 2014; Zeitoun, Osterloh & Frey 2014). Scholars concede that we need to look beyond monitoring if we are to understand how directors can make a difference, inviting research to examine the contexts in which directors can add value (Aguilera, Florackis & Kim 2016; Starbuck 2014).

The directorial service role is the second set of activities relevant to this thesis, yet it remains less studied (Hillman & Dalziel 2003; Johnson, Daily & Ellstrand 1996; Judge & Talaulicar 2017; Zahra & Pearce 1989). Directors are an ‘instrument for dealing with the organization’s environment’ (Pfeffer 1972, p. 218), and an important resource to the corporation (Mintzberg 1983; Parsons 1960; Pfeffer & Salancik 1978; Selznick 1948; Zald 1969), where a resource is ‘anything that could be thought of as a strength or a weakness of a given firm’ (Wernerfelt 1984, p. 172). The board, and its directors, can step in to make strategic decisions in times of crisis or CEO succession (Mace 1971). Directors can provide a wealth of services, including more favourable lines of credit (Stearns & Mizruchi 1993); training, succession and expertise (Dalton et al. 1999); advice to the CEO (Westphal 1999); timely information via professional and personal networks (Boyd 1990; Hillmann, Cannellla & Paetzold 2000); linking the corporation to important stakeholders and constituencies (Hillman, Keim & Luce 2001; Hillman, Cannella & Paezold 2000; Hillman & Dalziel 2003); support, advice and information (Adams & Ferreira 2007; Guerrero et al. 2017; Minichilli & Hansen 2007). In addition, individual directors' resources can significantly impact market value (Di Pietra et al. 2008).

Despite decades of studies, we still know very little about how boards and directors contribute to strategy and value creation in general (Huse & Gabrielsson 2012). Huse et al. (2011) argue that this might be due to the dominance of agency theory and invite scholars to adopt alternative or complementary approaches, while Pugliese et al. (2009) point to the importance of understanding the context and impact of both formal constraints (laws, regulations and constitution), and informal ones (values, cognitions, beliefs, traditions and norms of behaviour) on how directors serve their companies. Briscoe and Gupta (2016) emphasise the importance of studying how activism, including shareholder activism, affects corporations and their governance, while Aguilera et al. (2015) call for research investigating how external governance practices, such as investor activism or the legal environment, might affect how directors think and operate. Scholars concede that, although theoretically distinct, in practice directors may carry out their roles simultaneously (Hillman, Cannella & Paetzold 2000; Johnson, Daily & Ellstrand 1996). Monitoring is about control and can constrain management, while service is about support and can strengthen (or weaken) strategic decision making (Judge & Talaulicar 2017). The fundamental point is that directors need to strike an ongoing, delicate balance among their activities (Adams & Ferreira 2007; Anand 2018; Anderson, Melanson & Maly 2007), and what they do is contextual and subject to interpretation (Guerrero et al. 2017). Directors' actions are affected by the views of those individuals, including those on the purpose of the company (Crilly & Sloan 2012) and the purpose of the corporation in relation to a broad group of stakeholders (Kacperczyk 2009). I argue that to better understand how directors can make a difference, so that their companies can create value, the key question is how they view and engage with purpose, as this can affect their activities, including, but not limited to, strategic decision making. I also argue that making a difference requires directors to possess and exercise a power of ‘efficacy and capacity’ (Kanter 1979, p. 65). Power is a key directorial attribute and ‘is a complex matter’ (Orssatto & Clegg 1999, p. 276), and has assumed different dimensions in the literature. There is no universally accepted concept of power (Pettigrew & McNulty 1998). Agency tradition has conceptualised it as the power of authority and control, the relative power of directors over managers being the subject of many studies (Fama & Jensen 1983a; Herman 1981; Mizruchi 1983; Westphal & Zajac 1995). I argue that for directors to engage with purpose, they need the power of authority and control, and of efficacy and capacity, a point supported by Orssatto and Clegg (1999) when noting that power eventually boils down to ‘the capacity of agencies to make a difference’ (p. 276). Ultimately, understanding engagement with purpose might help us to better comprehend how it can drive directorial (and potentially board) activities towards value creation.

The key insight of the much debated topic of directorial roles, lies in the recognition that what directors do is still understudied. How directors can make a difference is affected by a variety of factors, both external, including investor activism, and internal, such as directorial cognition, or how directors perceive and engage with corporate purpose. In the next section I review the literature on engagement, and the little we know about director engagement with purpose.

Director Engagement with Corporate Purpose

The term engagement has been used in many fields to indicate a set of attitudes, cognitions and behaviours empirically studied under this umbrella concept. In the next sections, first I justify why the term *engagement* is appropriate to the aim of this study, and then I review its conceptualisations. I conclude by presenting key components of engagement emerging from the literature.

As regards terminology, *engagement* appears to be more appropriate to this thesis then more traditional terms such as involvement or participation, which refer to making a contribution, rather than actively driving or displaying an intention to take the initiative. Both terms have been used in the governance literature. *Involvement* has appeared in studies of board contribution to strategy formulation (Judge & Talaulicar 2017; McNulty & Pettigrew 1999; Ravasi & Zattoni 2006; Zahra & Pierce 1989; Zahra 1990), board involvement in planning (Tashkori & Boulton 1983), strategic change (Goodstein & Boeker 1991), strategy evaluation (Judge & Zeithaml 1992), and most recently board involvement in strategy (Federo & Saz-Carranza 2018). *Participation* has featured as regards directors offering a contribution to strategy (Pugliese, Nicholson & Bezemer 2015; Pugliese & Wenstøp 2007). Lately, however, the governance field has started to replace these terms with *engagement.* In their study on pension funds, Tilba and McNulty (2012) mention engagement 23 times, involvement four times and participation not at all. Aguilera et al. (2015), in their study on external governance, mention engagement seven times and involvement once but make no reference to participation. The study by McNulty and Nordberg (2016) on institutional investors uses the term engagement 41 times while disregarding involvement or participation completely, while the most recent study by Bezemer, Nicholson and Pugliese (2018), on the role of the chair in directorial engagement in decision-making, mentions engagement 81 times, involvement ten times and participation once. Hence from a terminology stand-point *engagement* appears well suited to this thesis.

As regards different conceptualisations of engagement in the social sciences, in psychology engagement implies a high sense of initiative and involvement with a display of motivation and commitment (Achterberg et al. 2003; London, Downey & Mace 2007). In educational psychology, engagement has been studied as the intensity of students' productive involvement in learning (Ben-Eliyahu et al. 2018; Corno & Mandinach 1983; Morgan-Thomas & Dudau 2018). In sociology, the concept has a key voluntary component, and requires trust and frequent interactions with the object of engagement (Jennings & Stocker, 2004), with studies suggesting an affective and behavioural dimension of engagement (Johnson, Crosnoe & Elder 2001), referring to attachment or the feeling of being part of or embedded in the object of engagement (Crosnoe 2001; Steinberg et al. 1992), and behaviours indicating participation (Finn 1989; Finn & Rock 1997). In organisational behaviour and business ethics, engagement emerges as a set of practices undertaken by a corporation to involve someone or be involved in something, by establishing, developing and maintaining relationships and interest. Engagement is viewed as a key mechanism for consent, control, cooperation and accountability, and a commitment of energy, mental and emotional power and resources (Greenwood 2007; Kuwabara, Hildebrand & Zou 2018; Noland & Phillips 2010; O'Riordan & Fairbrass 2013). Engagement can also harness affective, cognitive and physical energy (Mitchell et al. 2019; Rich, LePine & Crawford 2010). In human resource management, engagement has been conceptualised as emotional and cognitive commitment, or the extent to which employees bring their personal self into their role performance, a clear feature of which being the desire and willingness to make an effort beyond the level expected (Frank, Finnegan & Taylor 2004; Khan 1990; Luthans & Peterson 2002). In marketing, engagement has been elaborated as a set of affective and cognitive mechanisms that bond consumers to brands (dispositional forms) and generate consumer feelings of positivity and happiness when thinking about or using a brand (situational forms) (Broedie et al. 2011; Liu et al. 2018). Brands can enable customer engagement through social media, by providing superior value and actively collaborating with customers to co-create new products (Arrigo 2018).

Recently, corporate governance literature started to theorise engagement with respect to active involvement of directors in their functions (Bezemer, Nicholson & Pugliese 2018; Federo & Saz-Carranza 2018; Hambrick, Misangiy & Park 2015; Hillman, Nicholson & Shropshire 2008; Pye & Pettigrew 2005), and directors being 'mentally present' on issues (Van den Berghe & Levrau 2004). 'Long-term director engagement' (Vafeas 2003, p. 1044) is associated with competence, expertise and commitment. Engaged directors are actively involved, approachable, display insight and knowledge, ask the right questions and take a serious interest in issues (Roberts, McNulty & Stiles 2005). Recently, the term engagement has also been conceptualised for other actors in governance, namely investors. The literature on engagement of investors is more prolific than that on directors. Engagement has been used and theorised in relation to activist investors engaging to seek financial returns (Gillan & Starks 2007), engaging on principle (Chung & Talaulicar 2010; Mc Laren 2004), taking a long-term view on their investments and using their stakes to affect broad changes (Clark & Perrault Crawford 2012; Proffitt & Spicer 2006), engaging in ownership behaviour (Aguilera & Jackson 2010; Tilba & McNulty 2011). It also appears in the context of social shareholder engagement (Goodman et al. 2014), making greater use of voice and improving the quality of their engagement (UK Government 2012), engaging in activism (Aguilera et al. 2015; Goranova & Ryan 2014) and engaging as active owners (McNulty & Nordberg 2016). Engagement emerges as a set of attitudes, processes and actions through which investors nurture relationships with the investee companies, and appears to be strategic in nature, linked to the intention of influencing corporate governance. Appendix 1 presents an overview of the conceptualisations of engagement reviewed above.

The *fil rouge* of the literature on engagement reviewed above is that this phenomenon has mostly been theorised as a dichotomy, whether of engaged/disengaged directors (Bezemer, Nicholson & Pugliese 2018) despite the authors' recognition of the transitory nature of this phenomenon, engaged/disengaged owners (Tilba & McNulty 2012; Tilba & Wilson 2017), active/passive investors (McNulty & Nordberg 2016), and active/less active boards (Federo & Saz-Carranza 2018). Although they are important theorisations in the study of engagement in governance, these dichotomies appear ill-suited to capture the human, contextual and transitory nature of engagement, and the nature of engagement in the context of directors remains under-researched.

Having reviewed how engagement has been studied across various disciplines, I clarify what I mean by director engagement and what its main elements might be. I refer to *director engagement* as a multidimensional concept including affective, cognitive and behavioural dimensions. In other words, engagement is the extent to which directors commit their affective, cognitive and behavioural resources to corporate purpose, where 'resources' imply mental, emotional, or physical resources and energy (Kuwabara, Hildebrand & Zou 2018). The conceptual repertoire defining engagement includes the concepts of director *attitudes, values and beliefs,* and *behaviour* (intended and observed). Fishbein and Ajzen (1975) proposed a model most recently applied in the study of laypeople's attitudes to networking (Kuwabara, Hildebrand & Zou 2018). The framework relates attitudes, values and beliefs, and behaviour to an object, and posits that attitudes and beliefs about an object ultimately affect behaviour. These concepts are referred to as the ‘tripartite model’, a trilogy of feeling-knowing-acting, affective-cognitive-behavioural facets of human experience, dating back to ancient Greece (Breckler 1984; Ostrom 1969). Studies have confirmed the validity of this model, for instance Kothandapani (1971) in the case of attitudes towards birth control, and Ostrom (1969) with respect to attitudes towards the church. I refined the tripartite model by explicitly adding *values* to the concept of beliefs. Beliefs refer to the knowledge and insight one has about something, while values have been defined as ‘relatively stable beliefs’ (Bergman 1998, p. 86), general modes of conduct guiding perceptions and behaviour. Director values are ‘ideas about what is desirable’ (Athos & Coffey 1968, p. 100), or a ‘conception, explicit or implicit of what an individual (…) regards as *desirable*, and in terms of which he (…) selects among alternative modes the means and ends of action’ (Guth & Tagiuri 1965, p.4). Since directors operate within social structures, values are assumed to act as guideposts for perceptions and behaviour (Bergmann 1989; Fishbein & Ajzen 1975), and are a core part of human life, and their explicit inclusion in the conceptual repertoire of director engagement is therefore justified.

In the search for clarity, it is important to deconstruct the concepts that make up director engagement (*attitudes*, *values and beliefs*, and *behaviour*). The first component, *attitudes*, refers to the affective dimension of engagement, its evaluative element (feelings, evaluations), and has been defined as predispositions, a mindset, evaluations of an object (Ajzen 1988), the ‘summary evaluations that elicit consistently favourable or unfavourable reactions toward an object or a domain’ (Kuwabara, Hildebrand & Zou 2018, p.52), one’s ‘favourable or unfavourable evaluation of an object’ (Bergman 1998, p. 83; Fishbein & Ajzen

1975, p. 11) or 'one's emotional response or gut feeling' (Breckler 1984, p. 1191). In long-established studies, (Arnold 1910; Dewey 1913), concern and interest are viewed as emotions linked to exploration, curiosity, the quest for information, knowledge and competence development (Fredrickson 1998; Izard 1977; Izard & Ackerman 2000; Silvia 2005). Mindset exists as a form of knowledge structure, characterised by two sets of attributes: differentiation, or narrow versus broad knowledge; and context and integration, or how different elements of knowledge are combined and made sense of (Gupta & Govindarajan 2002), hence it might also be a factor in engagement. Passion has been defined as 'a strong inclination toward certain activities' (Murnieks, Mosakowski & Cardon 2014, p. 1584), is an attitude relevant to behaviour, and has been found to influence interaction between sport coaches and athletes (Lafrenière et al. 2011); athletic activities in general (Donahue, Rip & Vallerand 2009; Vallerand et al. 2008); how nurses experience burnout in clinical settings (Vallerand et al. 2010); the quality of interpersonal relationships (Philippe et al. 2010); dramatic artists' and musicians' performance (Bonneville-Roussy, Lavigne & Vallerand 2011); online gaming (Lafrenière et al. 2009) and gambling (Ratelle et al. 2004), and therefore passion might also be relevant. In entrepreneurship, passion has received attention as a trigger or essential ingredient of the entrepreneurial process (Cardon et al. 2009; Duckworth et al. 2007; Goss 2005). In organisational learning, it is associated with drive and tenacity, commitment and energy (Bierly, Kessler & Christensen 2000). Passion and the study of directors have so far remained in largely separate fields, although in the specific case of CEOs it has been found to link to innovation (Baum & Locke 2004; Bierly, Kessler & Christensen 2000; Strese et al. 2018) and change-oriented leadership (Sirén, Patel & Wincent 2016). Ever since Aristotle (Witt 2003), scholars have focussed on understanding energy (Kaplan 1995; Kaplan & Kaplan 1989), an affective concept similar to vitality (Ryan & Deci

2000), and a predisposition (Peterson et al. 2009). Quinn, Spreitzer and Lam (2012) found that energy influences decision-making, and proposed two definitions: physical energy, or ‘the capacity to do work’ (p. 341) and energetic activation, or a feeling of ‘vitality, vigour or enthusiasm’ (p. 341). Energy also influences how directors do their work (Brundin & Nordqvist 2008) and the formation of trust (Ogunseyin, Farquhar & Machold 2019). Psychologically, commitment is an attitude towards something, which links one’s identity to it, implying a willingness to dedicate energy to it (Kanter 1968), ‘an affective attachment to goals and values’ (Buchanan 1974, p. 533). Conceptually, commitment has been refined along affective (the level of emotional attachment or ‘wanting’), normative (based on a sense of duty or obligation) and continuance dimensions (the intention to continue to serve in one’s role) (Meyer & Allen 1991; Meyer, Allen & Gellatly 1990, 1997; Stephens, Dawley & Stephens 2004).

The second component, *values and beliefs* are the strictly cognitive aspects of engagement, although values have also been viewed as affective mechanisms (Bergman 1989). Values can be modes (e.g. a direct democracy), means (e.g. hard work) or ends (e.g. personal wealth or prestige). Beliefs refer to directors linking an object, issue or topic to some specific attribute (Fishbein & Ajzen 1975). The cognitive dimension of engagement also includes knowledge and insight, developed through the ‘capacity to mentally process, comprehend and manipulate information–- in short, the ability to learn’ (Reeve 2007, p. 77), and thinking, both consciously and unconsciously (Cronin 2006; Kihlstrom 1987).

The third component, *behaviour*, refers to behavioural aspects of engagement. In line with the adopted conceptualisation, I distinguish between *intended behaviour* and the behaviour itself (*observed behaviour*). Engagement requires proactive, discretionary and future-focussed behaviour (Parker, Bindl & Strauss 2010), as well as authenticity, a factor cited as far back as Aristotle and Socrates, although whether we can ever truly know ourselves remains questionable (Lehman et al. 2019; Schlegel et al. 2009; Schlegel et al. 2011). Asking questions might also be a behavioural aspect of engagement. Enquiring, as a signal of dependence or inferiority, has long been studied (Lee 1997), particularly when the recipient of the questions is more junior in terms of age and/or status or power (Druian & DePaulo 1977; Lee 2002). Most recently, Van Quaquebeke and Felps (2018) have highlighted the value of 'respectful enquiry' (p. 5), or asking questions and listening attentively.

Concerning the potential contingencies of engagement, the factors on which it might depend, Vafeas (2003) proposes that tenure (number of years) is associated with commitment. Knudsen, Geisler and Ege (2013), assign chairs a core responsibility towards shareholders, while others propose that director identification with shareholders might motivate directors to protect shareholder interests via monitoring (Guerrero et al. 2017; Hillman, Nicholson & Shropshire 2008; Huse et al. 2011). Engagement may also depend on motivation, a word originating from the Latin *movere*, to move, described as 'the psychological processes that cause arousal, direction, and persistence of behaviour' (Mitchell 1982, p. 81). Motivation varies in type and intensity, and includes a dimension of persistence (Casciaro et al. 2015), as its nature requires endurance. Conceptually, competence includes knowledge, skills and abilities, particularly those required for 'competent work performance' (Sandberg 2000, p. 9). Stiles and Taylor (2001) note the proverbial unwillingness of directors to concede that they need 'training', and how surprising it is that, in knowledge economies and 'the learning organisation' (p. 128), directors may think 'they are exempt from this process' (p. 129).

Hence, competence may affect director engagement. Factors potentially affecting engagement include personality as ‘a stable set of traits’ (Tasselli, Kilduff & Landis 2018, p. 467), which have been found to predict performance (Schmitt 2014), and courage, the nature and importance of which was recognised by Plato more than 2,500 years ago (Detert & Bruno 2017; Plato 2003). Role identity may be another contingency. Role and identity have been described as two sides of the same coin (Barley 1989), as role looks outward, ‘a patter on situated activity’ (p. 50), while identity looks inward, as one’s subjective experience of the role. Director independence might also affect engagement, studies indicating that independence has structural and mental dimensions (Leblac 2003; McNulty, Florackis & Ormond 2013; Roberts, McNulty & Stiles 2005). At board level, structure and process may affect individual engagement. Zahra and Pierce (1989) argued that they are two of the four attributes of board work (alongside composition and characteristics), and ultimately contribute to company performance. Board structure refers to how the board is organised (Daily, Dalton & Cannella, 2003; Judge & Talaulicar 2017; Leblanc 2003; Pettigrew 1992; Roberts, McNulty & Stiles 2005; Zahra & Pierce 1989), while board process refers to its interactions (Brundin & Nordqvist 2008; Daily, Dalton & Cannella 2003; Forbes & Milliken 1999; Leblanc 2003; Maitlis 2004; Pye & Pettigrew 2005). Board culture refers to the set of values, norms and beliefs underlying board work (Schein 1992), in other words, ‘the way we do things around here’ (Deal & Kennedy 1988, p. 4), and could affect engagement directly or as part of the process. In industrial organisational economics (Oster 1990; Porter 1980, 1981), industry has long been viewed as a primary determinant of company performance (McGahan & Porter 1997), and as an organisational contingency affecting corporate governance (Zahra & Pierce 1989), with directors being responsible for screening and assessing industry changes (Galbraith 1973; Zahra 1996). Investor stewardship in some industrial corporations can have spill-over effects to companies both within and outside that industry (Haveman, Rao & Paruchuri 2007; Yue, Rao & Ingram 2013), while experience of activism or corporate misconduct in certain industries can affect the nature of director engagement, as shown in the case of the commodity-based industry of palm oil (Nesadurai 2017). Hence industry might be a contingency of engagement, next to company or organisational culture as a pattern of shared assumptions (Schein 1983, 2016), or 'the tacit social order of an organization' (Groysberg et al. 2018, p.4). Last, but not least, lifecycle, or, to use the expression by Greiner (1989, 1998), 'evolution and revolution' phases might also influence engagement, as lifecycle has been found to impact board processes, and directorial tasks and decision-making (Filatochev & Wright 2005; Huse & Zattoni 2008; Lyndall, Golden & Hillman 2003).

In summary, director engagement is an emerging phenomenon, multidimensional, contextual and transitory, and therefore in need of a theorisation beyond the engaged/disengaged dichotomy. It may unfold as a trilogy of feeling-knowing-acting corporate purpose: an individual commitment of affective, cognitive and behavioural resources. Its attitudinal dimensions may include concern, interest, passion, energy, commitment and mindset. Cognitive dimensions of engagement may feature values and beliefs, thinking and understanding, knowledge and insight, while its behavioural elements may include proactivity, authenticity and asking questions. Engagement may depend on a set of contingencies at an individual level, such as personality, courage, role identity, independence, competence, motivation, identification with owners; governance factors such as chair, board culture, structure and process; and organisational factors such as industry, culture or lifecycle. Potential outcomes of engagement may include directorial decisions and actions in monitoring and controlling, strategy (formulation, evaluation, change), and directors making particular effort in how they serve the company. Given the nature and dependencies of engagement, exploring how it unfolds under the influence of institutional investors requires a cognitive explanation, resting on the assumption that directorial conceptions of a variety of factors might shape individual and corporate actions (Crilly & Sloan 2012; Porac, Thomas & Baden-Fuller 1989). Therefore, a review of strategic cognition (SC) theory (Hodgkinson & Thomas 1997; Kaplan 2011; Narayanan, Zane & Kemmerer 2010; Schwenk 1988; Walsh 1995) seems appropriate to guide the exploration of the nature and dynamics of director engagement. I offer this in the next section.

Strategic Cognition

Carnegie School behavioural theorists argue that complex decisions often result from behavioural factors, rather than from a mechanical search for optimal answers (Cyert & March 1963; Hambrick & Mason 1984; March & Simon, 1958). Multiple, conflicting goals and options, and bounded rationality, limit the extent to which decisions can be ‘objective’, and behavioural factors may therefore play a key role in explaining director engagement with purpose as a ‘choice’ of resource commitment.

Interest in human cognition can be traced back to Greek classical scholars. Cognition refers to processes of knowing and understanding, and is connected to psychology, human behaviour, creativity, reasoning, thought processes, natural and artificial intelligence. Emerging from social psychology (Fiske 2013; Fiske & Taylor 1991; Reed 2011), cognition theory helps to explain how we process information, our decisions being based on previous experience, our beliefs and how we view the world. Over the past decades, interest in managerial cognition has flourished. Managerial cognition sees managers as decision-makers who have limited capacity to process information, and therefore use ‘mental models’ (Walsh 1995, p. 282), i.e. thinking patterns reflecting how they perceive issues, to help them make sense (sense-making) of situations (interpretation), as a base for decision-making (Adner & Helfat 2003; Hambrick & Mason 1984; Hambrick & Snow 1977; Walsh 1995), sense-making referring to processes of cognition-action, including scanning (of the environment), interpretation and responses (Gioia & Chittipedi 1991; Thomas, Clark & Gioia 1993; Weick 1979). The cognitive decision-making repertoire also includes valuable problem-solving expertise (Rindova 1999), previous experience, value systems, assumptions about the future, and knowledge (Abelson & Black 1986; Cyert & March 1963; March & Simon 1958; Nisbett & Ross 1980).

Dating back to the 1980s, strategic cognition (SC) has developed as a way of capturing the cognitive perspective in strategic management (Hodgkinson & Healey 2008; Hodgkinson & Thomas 1997; Kaplan 2011; Narayanan, Zane & Kemmerer 2010; Schwenk 1988), with growing recognition of the importance of understanding cognition in strategic processes (Hodgkinson et al. 1999; Huff 1990; Rindova 1999; Schwenk 1984). SC assigns causal importance to cognitive mechanisms in explaining strategic choices (Child, 1972), including external and internal constraints, such as cognition (Whittington 1988). To study SC, Narayanan, Zane and Kemmerer (2010) proposed a set of antecedents, comprising external factors such as industry, internal factors such as size, decision factors such as complexity and urgency, and individual factors, such as educational background, decision style and personality traits, as those which potentially influence SC.

Studies have shown how cognitive structures lead to strategic decision-making (Porac & Thomas 2002), to explain strategy (formulation, implementation, change, company's learning) and competitive advantage. My interest is in exploring director engagement as a SC process which can lead to a *gestalt* of strategic decisions for value creation, without further differentiation between formulation and implementation. Cognitive structures enable processes of making sense of and interpreting strategic decisions. At an individual level, studies have demonstrated a link between managerial cognition and strategic actions in a wide range of instances including strategic change in a university (Gioia & Chittipeddi 1991); strategic reorientation (Lant, Millichen & Batra1992); crisis (Smircich & Stubbart 1985); new venture performance (Ensley & Pearce 2001); strategic reorientation in declining corporations (Barker & Barr 2002); strategy selection (McCormick & Martinko 2004); CEO dismissal (Haleblian & Rajagopalan 2006; Wiersema 2000); and competitive advantage in dynamic environments (Shang, Huang & Guo 2010).

The relevance of board and directorial research to strategic decisions is a central theme in governance research (Golden & Zajac 2001; Hillman & Dalziel 2003) but research on this topic is nevertheless scant. Given the difficulty in accessing directors (and boards) (Bezemer, Nicholson & Pugliese 2018; Brundin & Nordqvist 2008; Leblanc & Gillies 2005; Leblanc & Schwartz 2007; Machold & Farquhar 2013; Pettigrew 1992), strategic cognition at directorial level has been difficult to capture, and remains under-researched (Bundy, Shropshire & Buchholtz 2013), even though value creation is essential for strategic success (Tantalo & Priem 2014), and directors are ultimately responsible for strategy. It is assumed that board and directorial cognition exist, yet they remain a black box (Bergman et al. 2016; Haleblian & Rajagopalan 2006; Narayanan, Zane & Kemmerer 2010). A few studies have examined board cognition in strategic actions, including boards as strategic decision making groups (Forbes & Milliken 1999), board discussions of entrepreneurial issues (Tuggle, Schnatterly & Johnson 2010), and board strategic interpretation of sustainability issues (Bergman et al. 2016).

At an individual level (including but not limited to directors), SC studies have focussed on how CEOs' cognitive structures and processes influence strategic choices (Narayanan, Zane & Kemmerer 2010; Porac & Thomas 1994) how managers respond to activist pressures (Waldron, Navis & Fisher 2013); conceptualisations of company responsiveness to stakeholder concerns centred on issue salience; or 'the degree to which a stakeholder issue resonates with and is prioritized by management' (Bundy, Shropshire & Buchholtz 2013, p. 353). Studies have also shown that directors who possess valuable problem solving skills can contribute to strategic decisions (Rindova 1999), that directors with domain specific expertise (strategy) can advise on strategy (Filatotchev & Allcock 2013; Finkelstein, Hambrick & Cannella 2008) and can influence strategic decisions (Carpenter & Westphal 2001; Garg & Furr 2017). They can also bring about more frequent or successful acquisitions (McDonald, Westphal & Grabner 2008); diversification (Carpenter & Westphal 2001); and globalization (Sanders & Carpenter 1998). Director demographics, human and social capital also affect strategic decisions (Johnson, Schnatterley & Hill 2012). In addition, research has used demographic characteristics, such as managerial background, age, tenure or education, to measure cognition for responsiveness to change or risk taking attitudes (Finkelstein & Hambrick 1990; Finkelstein & Mooney 2003; Hambrick & Mason 1984; Kaplan 2011; Norburn & Birley 1988; Wiersema & Bantel 1992). However, there is growing recognition that demographics are relatively weak approximations for cognitive processes and studies seek to uncover the nature of individual cognition. Most recently, Phadnis et al. (2017) studied the SC of operations executives in their choices of operational strategy, discovering that individual regulatory focus and level of optimism about the future play a role. Lungenau and Zajac (2019) have argued that directors with deep and broad expertise have a critical influence on strategy, while Durand, Hawn and Ionnou (2019) propose that decision-makers' willingness and ability to address salient issues are also a contribution in explaining responsiveness to stakeholders. Eckardt et al. (2018) remind us that individuals interact within the context of a system, hence when a phenomenon is emerging, it originates in individual attitudes, cognitions, behaviours, and other characteristics. Engagement with purpose, therefore, as an emerging phenomenon, requires an exploration of directorial cognitions. Bamberger (2008), Smith and Semin (2004) and Johns (2017) call for greater attention to context in studying cognition.

In summary, the key insight from this review is that SC appears to be the theoretical framework best suited to explore director engagement as it affects directorial actions towards value creation. Although research on directorial cognition is scant, borrowing from what is known about individual cognition, the set of factors at play in engagement might be industry, size, issue salience, decision urgency and complexity, together with individual factors such as demographics, age, tenure, human and social or relational capital (Hillman & Daziel 2003), in other words experience, expertise and reputation, network ties to other companies and constituencies, deep and broad expertise, educational and professional background, personality traits and decision style. Possible outcomes of engagement might be at the level of process (decision quality and speed), strategy (resource allocation and competitive moves) or economics (stock market responses or profitability), the strategic level being the one of interest to this study. Having reviewed the relevant SC literature, I now turn to the next area of interest to this study, namely that of institutional investors.

Institutional Investors

> *The craft and science of investing is essentially about optimising performance by either achieving the maximum future return for any given risk level, or minimising risk for a defined return goal, all the while being exposed to fundamental uncertainty about the future. There is little room for additional goals in this equation. Or so you think!* (Swiss Sustainable Finance 2017, p. v).

Finance evolved from the nineteenth-century Rockefeller and Carnegie heroes of money promotion, investment and management, to professional managers of companies, owned by shareholder investors, in the first half of the twentieth century (Clark 1981). Ever since, we have been in the age of 'intermediated finance' (Rock 2018, p. 364), with separate savings and investment decisions, paving the way for professional investors, the money managers. In investor capitalism and liberal economies, institutional investors play a powerful role (Goyer & Jung 2011; Hertig 2018; Rock 2018; Useem 1996), and the share of equity investments held by institutional investors has increased significantly both in the size and the concentration of their stakes (Coates 2018; OECD 2015). Investors increasingly engage in the governance of corporations (Gillan & Starks 2007), exercise voice (Hirschman 1970) and actively seek to influence financial performance, a phenomenon studied and theorized as financial activism (Bizjak & Marquette 1998; Cai & Walkling 2011; Cundill, Smart & Wilson 2018; Ertimur, Ferri & Stubben 2010; Goranova & Ryan 2014), while social activism is concerned with corporations' environmental and social practices (Briscoe & Gupta 2016; Cundill, Smart & Wilson 2018; Lee & Lounsbury 2011; Rehbein, Waddock & Graves 2004). Through their activism, investors can affect a variety of outcomes in a company, including but not limited to innovation, strategy or corporate development (Boyd & Solarino 2016; Goranova et al. 2017; Hoskisson et al. 2002; Shi, Connelly & Cirik 2018). Large, controlling, majority shareholders have drawn the lion's share of scholarly attention (Aguilera et al. 2015; Anand 2018; Connelly et al. 2010; Cundill, Smart & Wilson 2018; Cuomo, Mallin & Zattoni 2016; Cronqvist & Fahlenbrach 2009; Edmans 2014; Gifford 2010; Goodman et al. 2014; Porta et al. 1999), due to their potential to affect change.

Institutional investors are a type of shareholder, and include several investor types: pension funds, insurance companies, mutual funds, hedge funds, index funds, Sovereign Wealth Funds (SWFs), banks, insurance companies and a variety of asset managers and financial intermediaries (Connelly et al. 2010; OECD 2011). The Oxford English Dictionary defines stewardship as 'the responsible use of resources, especially money' (https://www.oed.com). Stewardship is about preserving and enhancing long-term value as part of a responsible investment approach and is viewed as a way of promoting financial market stability and economic growth (ICGN 2017). Institutional investors are a heterogeneous group (Artiga González & Calluzzo 2019) encompassing different types and behaviours: active and passive, engaged and disengaged. Institutional investors, who are assumed to have long-term horizons, such as large, so called passive, index funds, pension funds and SWFs, are potential drivers of investor activism and engage in corporate governance (Aguilera, Canapé & Esade 2016; Brest, Gilson & Wolfson 2018; Gillan & Starks 2007; Goyer & Jung 2011; McNulty & Nordberg 2016, Tilba & McNulty 2012), and are regarded as ideal active stewards. Different investor typologies exist (Gilson 2006; Hertig 2018; McNulty & Nordberg 2016; Rock 2018; Tilba & McNulty 2012). For instance, pension funds are often referred to as active investors (ICGN 2017; Tilba & McNulty 2012); index funds as large passive investors (Bebchuk &

Hirst 2018; Fichtner, Heemskerk & Garcia-Bernardo 2017); hedge funds as short-term oriented, activist investors seeking changes in governance and financial performance (Becht et al. 2009; Becht et al. 2017); and SWFs (state owned investment vehicles) as universal owners (Aguilera, Canapé & Esade 2016; Gjessing & Syse 2007; Lydenberg 2007; Vasuveda, Nachum & Say 2018). In addition, shareholders can also be classified as salient: investors who have power, legitimacy and urgency in corporate eyes (Bundy, Schropshire & Buckholtz 2013), typically majority or controlling owners, and assumed to be the object of directorial attention. Although an in-depth analysis of investor taxonomies is beyond the scope of this thesis, what is important is that investors, although long assumed to be a homogeneous group (Artiga González & Calluzzo 2019), have heterogeneous aims, affecting their investment horizons and actions, a relevant point when considering how their stewardship influences director engagement (Davis 2008, 2009; Jackson 2008; Tilba & McNulty 2012; Tonello 2006).

Stewardship increasingly includes consideration of the wider ESG (environmental, social and corporate governance) factors as a core element of investor fiduciary duties (Espahbodi et al. 2019; Van Duuren, Platinga & Scholtens 2016). ESG factors represent many of the externalities around us, the challenges of our time, and encapsulate potential risks and opportunities for both investors and companies. Throughout history, nature has been disruptive, yet climate change is accelerating the urgency of tackling environmental problems. Social unrest has also always existed, whether in ancient Greece due to wealth and land inequality (Fuks 1984), in the city of Norwich in Tudor England following disastrous harvests (Hoskins 1964), in Somalia, Rwanda and the former Yugoslavia following poverty and unemployment in ‘the lost decade of the 1980s’ (Chossudowsky 1997, p. 1786), or in

Hong Kong in the summer of 2019 (Korner 2019). Governance issues (and scandals) are also not new, with regulation aimed at improving governance effectiveness and strengthening control. What is different now is the immediacy, the scale and the global effects of the consequences of such events, giving added urgency and importance to the response to and anticipation of them, hence the increasing inclusion of ESG factors in investment decisions. ESG factors represent 'a tragedy (…) and a golden opportunity for positive system change' (Kiernan 2007, p. 478), and include environmental factors (e.g. waste generation, carbon emission reduction, water or renewable energy consumption, or other aspects of the climate transition); social factors (e.g. gender diversity, social inequality and tensions, product safety, employee engagement or human rights); and governance ones (director independence, executive compensation or disclosure). A variety of ESG and sustainability ratings and rating agencies also exist, which have an impact on investment decisions (Brest, Gilson & Wolfson 2018), examples of which include Morningstar, B Analytics, TSE4Good and the Dow Jones Sustainability Index (DJSI). The United Nations (UN)-supported Principles for Responsible Investment (PRI 2019) promote the incorporation of ESG factors in investment decisions, reporting over 2,000 signatories as of 2019, with just short of $500 trillion under management (PRI 2019). While earlier studies questioned the relevance of ESG to investors (Campbell & Slack 2011; Deegan & Rankin 1997), more recently information on ESG factors has been shown to relate to significant economic effects, for instance cost of capital (Dhliwal et al. 2011), analyst forecast errors (Dhliwal et al. 2012), lower capital restrictions (Cheng, Ioannou & Serafeim 2014), movements in stock price following ESG mandatory disclosure (Grewal, Riedl & Serafeim 2017), and good ratings on materially relevant ESG issues in an industry as a predictor of a company's future financial performance (Khan, Serafeim & Yoon 2016). ESG factors are strategically relevant (Brown, Liburd & Zamora

2015), and investors are willing to invest in companies incorporating ESG in their strategy (Cheng, Green & Chi Wa Ko 2015). However, other studies indicate that no consensus has so far emerged with regard to the integration of ESG leading to superior or inferior financial performance (Crifo & Mottis 2016; Margolis, Elfenbein & Walsh 2007; Margolis & Walsh 2003), while Espahbodi et al. (2019) find that investor perceived relevance of ESG interacts with its integration in investment decisions and affects investment allocation.

The end game of stewardship is ‘about *value*, not values’ (emphasis added), as Cyrus Taraporevala, CEO of State Street Global Advisors mentioned in an interview in the *Financial Times* (Edgecliff-Johnson 2019). Beyond the buzz surrounding Sustainable Investment (SI), Socially Responsible Investment (SRI), Ethical Investment (EI), or Sustainable Development Funds (SDF), mostly dating back to the 1960s and 1970s, although SRI started in the 1920s (Guay, Doh & Sinclair 2004), yet all gaining momentum in this century, stewardship is legitimately about value maximisation, and ESG integration in investment decisions follows financial rather than ethical, moral or ‘doing good’ motives. Amel-Zadeh and Serafeim (2018) found that investors incorporate ESG factors in decisions assuming them to be relevant to investment performance, in response to client demands, or as part of a product strategy.

Investor ESG consideration varies from merely superficial interest to ESG forming a cornerstone of investment decisions (Kiernan 2007; Vasuveda, Nachum & Say 2018). This can have important effects on the way directors engage with purpose, as capital providers’ views and accounting of ESG may influence director engagement, as shown in the recent example of risk-hungry, mining giant Glencore, with directors coming under pressure from investors to change the company culture and incorporate ESG factors at the heart of the business (*The Economist* 2019). Most importantly, against a backdrop of a lack of globally accepted standards, ESG factors continue to be regarded as non-financial dimensions of stock and corporate performance (Klasa 2018; van Duuren, Platinga & Scholtens 2016), a view supported by the integrated reporting recently mandated by the EU and in force since June 2019 (EU 2014; 2017a), and by the US Congress rejection of the adoption of ESG standards (Temple-West 2019). However, climate change, social tensions and unrest, and governance issues pose real threats to companies (and to investments) but also represent opportunities for innovation, and new products or lines of business, so these factors are therefore relevant to finance and business (*The Economist* 2019a, 2019b). Consequently, the boundaries between financial and social activism by investors are increasingly blurred (Goranova & Ryan 2014; Guay, Doh & Sinclair 2004; McNulty & Nordberg 2016), as noted also by Guay, Doh and Sinclair (2004), who defined shareholder activism as 'a mix of SRI, corporate governance and stakeholder capitalism' (p. 128). Institutional investors, traditionally known and studied for their financial activism, become active in social and environmental matters because these can affect return maximisation. Most recent examples are Allianz Global committing to increase social impact investment (Gordon 2018) and BlackRock urging CEOs to contribute to society (Mooney 2018). In parallel, social organisations, (for instance the Church of England or the Swiss Responsible Business Initiative), regarded for their social intents, are increasingly active in financial and non-financial matters that, although social on the surface, entail a significant potential change in the fundamentals of how a business performs and is run. Thus, theorising investor activism in two separate compartments no longer reflects reality, leading to calls to bring their study closer together (Briscoe & Gupta 2016; Goranova & Ryan 2014).

ESG integration strategies include negative screening (excluding certain types of companies or industries, such as tobacco, alcohol or weapons), positive screening (focussing on certain corporations or industries such as organic food or artificial diamonds), best-in-class (for instance selecting the best companies in terms of ESG performance), investor activism, such as voting at the annual general meeting (AGM), filing resolutions, and investor engagement, with investors establishing dialogue with companies and directors on ESG issues (Goodman et al. 2014; Semenova & Hassel 2019; van Duuren, Platinga & Scholtens 2016).

Considering investor engagement inadequate and too focussed on short-term returns, in 2017 the EU decided that investors should disclose information about the implementation of their engagement policy and voting rights (EU 2017a). The EU's second Shareholder Rights Directive (EU 2017b), in force since June 2019, seeks to strengthen the role of shareholders by enabling them to act as active rather than passive owners of stocks, promoting a new form of stewardship. It also introduced key changes to the rules governing the activities of proxy advisors, whose services are extensively used by investors for research (including on companies) and voting recommendations (Institutional Shareholder Services and Glass Lewis featuring among the largest). The directive makes them answerable to regulators for greater transparency in how they go about serving their clients (Riding 2019).

The tide of investor engagement appears to be shifting. There is a movement from a historical lack of engagement with companies (Davis 2008, 2009; Jackson 2008; Tilba & McNulty 2012; Tonello 2006) to a landscape where investors increasingly engage with corporate governance activities and ESG topics (Goyer & Jung 2011; Semenova & Hassel 2019). A significant change in behaviour seems to be occurring, as investors engage with boards far more actively if they believe that this will increase the value of the company (Cundill, Smart & Wilson 2018; McNulty & Nordberg 2016; Rock 2018; Semenova & Hassel 2019; Swiss Sustainable Finance 2018).

Engagement represents a powerful type of investor activism, as it can have a direct impact on corporate policies and practices (Ahn & Wiersema 2019; Amel-Zadeh & Serafeim 2018; Becht et al. 2009, 2017; Goodman & Arenas 2015; Goranova & Ryan 2014). This is where 'the real action occurs' (Logson & Buren 2009, p. 353). Studies have focussed on investors filing ESG resolutions in poorly performing companies and subsequently engaging to avoid a formal vote at the AGM (Bauer, Moers & Viehs 2015; Clark & Perrault Crafword 2012; David, Bloom & Hillman 2007; Logsdon & Buren 2009; Rehbein, Logsdon & van Buren 2013), and on other investor engagements, with evidence of thematic engagement beyond governance topics, such as social and environmental matters (Barko, Cremers & Renneboog 2018; Bauer, Clark & Viehs 2015; Dimson, Karakas & Li 2015; Hoepner et al. 2018). Overall, topics range from environmental issues and weapons, to corruption, executive compensation and gender diversity, with the potential to lower ESG incidents and bring about positive changes in corporate ESG policy.

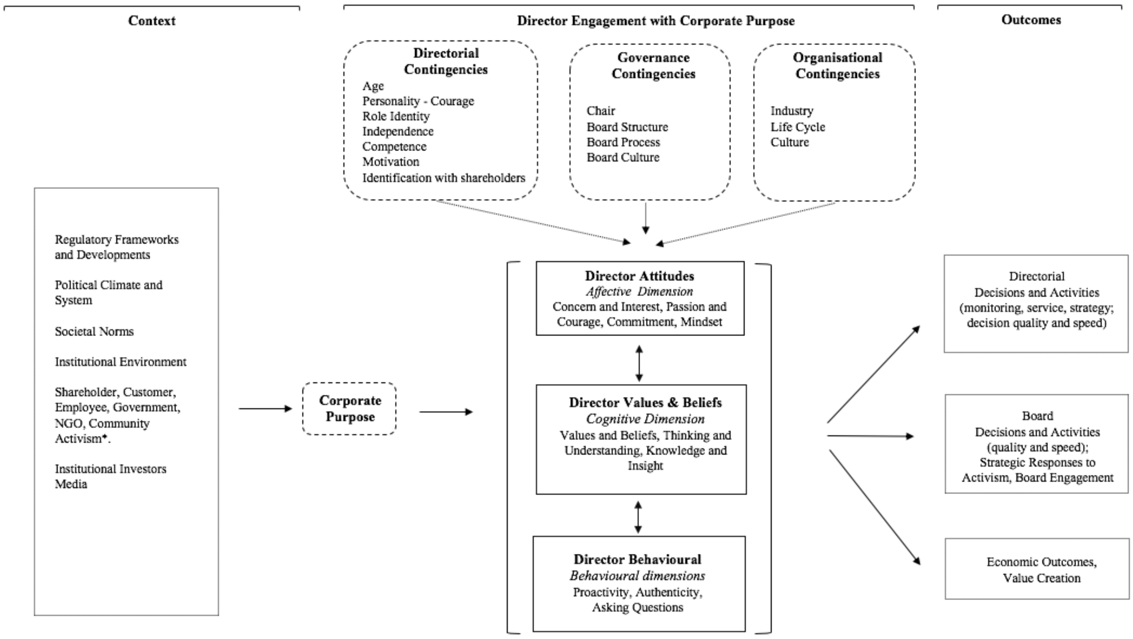
In summary, the essence of the much-debated topic of institutional investor stewardship rests on a recognition that investors have grown into a major force for companies to reckon with. They are heterogeneous in type and aims and have different time horizons and ways of carrying out their stewardship duties, which nonetheless remain focussed on maximising returns. Through a form of activism, investors increasingly engage with companies on ESG matters to effect corporate change. Despite ESG factors being relevant both financially and in business terms, there is a tendency to continue to regard them as non-financial, even in integrated reporting. This, coupled with the lack of globally accepted standards, hinders the full appreciation and integration of ESG in investment decisions. Furthermore, large, controlling investors have received the lion's share of scholarly attention, due to their potential to affect change, while some investors rely on the services of proxy advisors for company knowledge and voting decisions.

Conclusion and Organising Framework

The literature review indicates that corporate governance is about the use of directorial power not only in dominance and control but, most importantly, in efficacy and capacity to create value for society as well as investors, so that corporations can contribute to solutions to our most pressing challenges. Corporate purpose is relevant to the future of corporations and of society, as it can guide directorial activities towards value creation, ultimately affecting decision-making at individual, board and corporate level. An enquiry into director engagement with corporate purpose is relevant, as this phenomenon is under-studied and under-theorised, leaving the governance field with a lack of understanding as to how, through engagement, directors can make a difference so that their companies can create value. Such an enquiry needs to start at director level, so that we can account for individual variances within boards. Directors, agents of the corporation, might engage with purpose through their various roles and activities, which broadly boil down to enacting their fiduciary duties, including monitoring, service and strategy. Through SC, which, given the proverbial access difficulties, remains under-studied at individual director level, we can examine director engagement as a SC process of choice of the extent to which directors commit their affective, cognitive and behavioural resources to purpose. In investor capitalism, institutional investors are important, and focussed on maximising asset value to protect and enhance the value of the assets entrusted to their care. How investors exercise their stewardship duties, particularly through a form of activism of a blurred nature known as ‘engagement’ with directors and their companies may, together with the increasing integration of ESG factors in investment decisions, influence how directors engage with purpose.

Does this matter? In this thesis I argue that to a certain extent it does. Through director engagement, corporations can begin to become clear about and eventually commit to corporate purpose, so that directors can add value by driving purposeful decisions and actions to create value for society as well as for investors. Engagement is likely to require directors to adopt a longer-term outlook on the corporation (well beyond their own individual tenures), to deal with issues that go beyond the essence of traditional board matters, to nurture qualitatively different relationships with investors (and other stakeholders), to understand and possibly anticipate the opportunities and risks ESG factors represent, so that corporations can enact and sustain their capacity to create value for society as well as for investors. Figure 3 presents an organising framework for studying director engagement with corporate purpose, emerging from the literature review. The framework accounts for the debates, issues, contingencies and dimensions emerging from the literature review.

Figure 3 Organising Framework for Studying Director Engagement



*Aguilera et al. (2015); Briscoe & Gupta (2016); Goranova & Ryan (2014).

Chapter 3: Methodology

Introduction

Of the two methodological approaches for the study of corporate governance, the historical preference has been for quantitative methods (Burrell & Morgan 1979; McNulty, Zattoni & Douglas 2016), and to date most governance studies have relied on archival data for empirical analysis (Aguilera, Florackis & Kim 2016). From an objectivist standpoint (positivism), organisations are viewed as an existing reality, which can be studied at a distance, with scholars attempting to apply the methods used for the study of the natural sciences to the field of humans and their affairs. Nonetheless, there is a promising, yet still emerging line of research based on qualitative methods and different ontological and epistemological assumptions (Ahrens, Filatochev & Thomsen 2011; Huse et al. 2011; Jain & Jamali 2016). Qualitative studies remain a fraction of all published work, although they are on the rise due to their unique nature and value to the study of corporate governance (McNulty, Zattoni & Douglas 2016), to the broader field of management (Bluhm et al. 2010; Van Maanen 1979) and to international business (Birkinshaw, Brannen & Tung 2011). Since in this thesis I adopted an interpretivist, qualitative research strategy, specifically the case study approach, before elaborating on this choice it is important to clarify the difference between the two methodologies in relation to their meaning in corporate governance.

The adoption of quantitative methods is aligned with the assumptions of the functionalist paradigm of positivism, viewing the world as an ordered phenomenon which we can measure and explain (Burrell & Morgan 1979). Functionalism is characterised by the definition of a framework of analysis prior to approaching the object of investigation (Schultz & Hatch

1996), for instance boards or individual directors. Quantitative research progresses through the observation, test, rejection or confirmation of hypothesis under assumed levels of confidence, with generalisation aims from a sample of the reference population. Corporate governance studies attempting, for instance, to infer causality between board structure and the financial performance of a company, or board interlocks and sustainability reporting, belong to this tradition. Intricate models (such as regression equations or structural equation modelling), are developed to demonstrate that variables co-vary or trigger other variables to change. Interpretivist scholars call for theory to be anchored in the experiences of the protagonists of a certain phenomenon, in order to truly comprehend how events play out at a particular time, hence the need to examine these protagonists directly (Langley 1999; Mintzberg 1979; Shah & Corley 2006; Van de Ven 1989; Weick 1995) and the case for qualitative research, viewed as the descendant of the interpretivist paradigm, rather than the positivist tradition (Bluhm et al. 2010; Flick 2014). However, Lin (1998) notes that qualitative studies can be positivist as well as interpretivist. For instance, a study can aim to uncover practices that might consistently lead to a certain outcome. A qualitative study can also attempt to understand the meaning of general concepts in a specific context at a specific time, to uncover explanations and meanings attached to them by a specific set of people. Consequently, the differences in interpretivist and positivist qualitative studies would appear to be found in the philosophical assumptions made about knowledge, reality or the world, as well as in the type of questions that are generated and asked, and the conclusions drawn.

Interpretivist, qualitative studies regard social phenomena as a construction by social actors through the media of culture, beliefs and language (Bluhm et al. 2010). Reality is believed to be constructed, rather than existing objectively. Culture, beliefs and language are tools to ponder and act on reality, thus knowledge generation is anchored in the epistemological assumption that reflexivity, the understanding of the socially constructed reality and contextuality, is necessary to comprehend events. As Bansal and Corley (2012, p. 510) suggest, ‘the signature of qualitative research is its solid grounding in the phenomenon’, implying getting ‘inside’ a phenomenon, in this case director engagement with corporate purpose and regarding it with the eyes of a detective (Yin 2014). Given the research problem, aims, objectives and questions, the strategy I followed in this thesis was one which could lead me to ‘first-handedness’ (Birkinshaw, Brannen & Tung 2011, p. 574), a key characteristic of qualitative studies. This choice also implied that I made describing the journey the hallmark of this thesis, as is usual in qualitative studies (Bansal & Corley 2012).

The view of reality as socially constructed is a very important point worthy of further elaboration, as it profoundly influenced me as researcher and therefore this study in corporate governance. In subjectivist approaches, as the qualitative tradition, the key ontological assumption is that corporate governance is a socially constructed term (Ocasio & Joseph 2005) and reality (Morgan & Smircich 1980), a reflection of social values, a specific ideological point of view and a set of assumptions (Leblanc 2003). This implies that the positivist claim of absolute truths in governance is arguable and entails certain epistemological issues, for instance, that after decades of studies rooted in agency theory and input-output models of governance ignoring the role of human processes, our knowledge of governance phenomena is partial and far from complete (Aguilera et al. 2015; Kumar & Zattoni 2019). Studies continue to view governance as an objective reality, a ‘concrete structure’ and directors as ‘responders’ (Morgan & Smircich 1980, p. 492), able to be understood through secondary data, surveys and quantitative methodologies. Although this approach has its merits and is considered ‘parsimonious’ (Kumar & Zattoni 2019, p. 5), relying on available data as a proxy for human processes and behaviours, an increasing number of studies adopt qualitative approaches in investigating human dynamics and processes in governance (Bezemer, Nicholson & Pugliese 2018; Federo & Saz-Carranza 2018; McNulty & Pettigrew 1999; Ravasi & Zattoni 2006; Schwarz-Ziv & Weisbach 2013; Seierstad et al. 2017; Tuggle et al. 2010).

A very clear example of the consequences of traditional ontological and epistemological assumptions in the field is offered by Boivie et al. (2016), who challenge the decade-long assumption that directors can be effective in monitoring executives, suggesting that this might not be realistic, and conceding that ‘boards might not make much of a difference in many cases’ (p. 348), which begs an exploration of how directors might matter. Given that my concern is how directors engage with purpose under the influence of institutional investors, as opposed to a verification of the hypothesis that institutional investors might correlate to engagement, I regarded the interpretivist, qualitative approach as an appropriate choice. Thus, I regard an in-depth examination of the phenomenon of director engagement in a particular context and time most appropriate for answering the research questions, in the hope of contributing new interpretations to SC theory, and the study and practice of corporate governance. The remainder of this chapter is organised as follows. Firstly, I present autobiographical notes and present myself as researcher; secondly, I elaborate on my reflexivity and its influence on this study; thirdly, I present and justify the choice of the case study approach; and fourthly, I introduce the context of the case. I conclude by presenting the pilot study and how it informed the choices I made in focussing the main study.

Autobiographical Notes

I was born in northern Italy, and had a childhood characterised by education, intellectual curiosity, international travels and health challenges which planted the seeds of commitment and perseverance in me at a young age. Aged six, I survived a major earthquake, and at the age of eighteen I lost my father to illness, experiences which changed me forever, as I learned that being mortal is part of life, and life is short. Given my curiosity to experience the world, I implemented a plan that took me abroad, allowing me to continue my education, feed my intellectual curiosity, and build an international career. After completing my graduate and postgraduate studies abroad, I worked in the information and communication technology (ICT) industry in New York, with MCI International (which then became WorldCom and is now Verizon). I was an executive in WorldCom when the company filed for Chapter 11 bankruptcy protection, and I experienced from within one of the biggest systemic corporate scandals in history. Over 25 years in the practice of management, working for three large, global corporations, I relocated twelve times across most continents. I moved from executive management to board services, and from the practice of management and governance to academia, where research and teaching make me face the never-ending challenge of developing knowledge.

In 2015 my election to the board of directors of a Swiss listed corporation ignited my interest in corporate governance. The learning through this board experience has been immense and has allowed me to experience directly the workings and processes of one particular board, in one particular corporation, at a particular time. My tenure on this board also gave me the opportunity to develop relationships with other directors in and outside the company and, in particular, to develop a partnership with the chair of the company. I was elected to bring a different personality, a new perspective and skill set to the board, and to be hands-on *despite* being a non-executive director. During my tenure, I saw the company, and the board, experience intense investor activism, and a number of takeover attempts occurred, eventually culminating in the sale of the company to a private equity group with subsequent de-listing from the Swiss stock exchange, to prepare the organisation for a financially secure future and a phase of renewed growth. As a director, I started to develop the ability to hear fellow board members and shareholders, to read between the lines, and to appreciate the need to dig beneath the surface of issues to understand the context behind decisions that ultimately affect society as well as the company. I developed a helicopter view of business activities, offered advice to executives, interacted with institutional investors and society, monitored and audited corporate activities, all while remaining sensitive to what happens in and around the board. Crucially, I began to engage with the issue of corporate purpose. I recall vividly a board meeting when the CEO made a point to clarify to the board that the only goal of the company was to generate profit, despite shareholders clearly reminding us that the corporate purpose (according to the intention of the founder) was also to contribute to the development of a culture of groups of people discovering the world together, and that the company played a key role in the lives of thousands of customers and represented Switzerland abroad. This episode planted in me the first seeds of what would later become the core concern of this thesis.

Researcher Reflexivity

Reflexivity acts as a signpost to the reader of ‘what is going on’ (Koch & Harrington 1998, p. 882) as the research unfolds. Scholars agree that, in qualitative research, reflexivity is an important method by which to strengthen legitimisation, validation and representation of the data and findings (Creswell & Poth 2018; Ellis & Berger 2003; Damsa & Ugelvik 2017; D’Cruz, Gillingham & Melendez 2007; Flick 2014; Koch & Harrington 1998; Pezalla, Pettigrew & Miller-Day 2012; Pillow 2003; Reid et al. 2018). In this study I observed the field of corporate governance from a personal standpoint, based on a life journey unique to me. From identifying the topic and defining (and refining) the research questions, through identifying participants, building rapport and trust, collecting, analysing and interpreting data, my beliefs and experience affected the research design, and the data and knowledge I was able to generate. My subjectivity and that of the participants was part of the research process (Flick 2014), and I took great care to make it explicit in my writing (Creswell & Poth 2018). Given that the interpretive perspective places me as author *in* the text, I adopted the first-person in the writing of this thesis, as reflexivity is also demonstrated by this choice (Berger 2013). I believe that this decision has contributed to give me an active voice, as the passive voice is typically associated with the third person (Smircich & Stubbart 1985). Since the topic of this thesis fell under the umbrella of the *Future of the Corporation* programme of the British Academy (2017), my reflexive ‘audit trail’ (Berger 2013, p. 222) also reflected my thoughts on the information that I have been exposed to through my participation in this programme of research.

As Janesick (2001) indicates, ‘like the artist who uses paint and brushes, or the dancer who uses movement, the qualitative researcher uses many techniques as tools to ultimately tell a story' (p. 5). Telling a compelling story has been a key goal of this research journey. Through this process, my own biases, values and insights have come into play and contributed to the evidence, although I strived to maintain self-reflexivity at all times (Pezalla, Pettigrew & Miller-Day 2012). Self-reflection was needed, for instance, to create distance between my experience as director and the participant experiences, to distance my own interpretations of events I directly experienced from events that unfolded throughout this study. Self-reflexivity came to life also in my writing of this thesis, as I endeavoured to make my position clear (Creswell & Poth 2018). A priori, qualitative research sets out to form a particular interpretation of events, possibly anticipated by a hunch of what one expects to discover. Although the hunch is rooted in the literature, it remains a hunch, subjective and possibly biased. Therefore, I started to write reflexive comments about how this study came about and continued to do so as the writing helped me to bring self-reflexion to life. Furthermore, since 'different audiences demand different styles of writing' (Tierney 1995, p. 384), I wrote this thesis with the academic community in mind and aimed to use appropriate yet simple and clear language. An additional aspect of self-reflexivity refers to the 'dark matter' (Weiner-Levy & Popper-Giveon 2011, p. 2177) of this type of research. I refer to material I might decide to omit from the findings, although considered a fundamental part of the research process, affecting the findings and therefore worthy of being mentioned in the study. To avoid the 'dark matter', I include in this thesis a list of concepts that emerged from data analysis but fall outside the scope of this thesis (Appendix 9), as they are not directly related to the research questions and a section on *Unexpected Events*.

The Case Study Approach

Of the five qualitative approaches to scientific enquiry proposed by Creswell and Poth (2018), namely narrative, phenomenological, grounded theory, ethnographic and case study research, I adopted a case study approach to address the research questions of this study. Although Schwandt (2015) concedes that the term *case* 'refers to a wide range of different things' (p.25), multiple definitions of case study indicate that its key features are an in-depth, multi-faceted investigation (Feagin, Orum & Sjoberg 1991; Stake 1995), of a single, contemporary, bounded social phenomenon (Gerring 2004; Schwandt 2015; Stake 1995; Yin 2014), through multiple data collection (Creswell & Poth 2018). Most importantly, a case study is a *system*, or its parts are interdependent (Orssatto & Clegg 1999; Stake 1995). Keeping in mind the term *system* helped me to keep this research project on course. Mentally, I held on tight to the word *system*, as it assisted me in recognising the parts and seeking their interdependencies. I found particularly useful the view of case study proposed by Stake (1995), as a choice of what is to be studied, where a case is a system, bounded by time and place. A case study approach also seemed appropriate, as I was interested in exploring how institutional investors affect director engagement with purpose (the single, contemporary phenomenon), through an in-depth investigation of directors operating in a certain context. These factors represented the case boundaries. Case studies are the preferred choice when 'how' and 'why' questions are being asked, and when the phenomenon is novel, under-studied and complex, cannot be investigated outside its natural setting (Antila 2006; Yin 2014), and is not 'amenable to quantification' (Bonoma 1985, p. 202). I viewed director engagement as meeting these conditions, given that my research questions are exploratory in nature, require an in-depth investigation, and the phenomenon of director engagement is quite new. However, I realised that potentially one could measure this engagement, as studies have done for employee (Saks 2006), brand (Sprott, Czellar & Spangenberg 2009), student (Skinner & Belmont 1993) and board engagement (Jiang et al. 2008). Nonetheless, I was not concerned with measuring director engagement, rather with understanding its elements and dynamics.

Qualitative research and the case study approach remain the object of critique. Miles (1979) points to 'serious weaknesses and problems' (p. 590) in qualitative studies and argues that their 'methods of analysis are not well formulated', that within-case analysis is 'essentially intuitive, primitive and unmanageable' (p. 597), and that 'respondents object much more frequently to case study results that to survey results' (p. 597). Nonetheless, a view has emerged in defence of the reliability of the case study. While the majority of empirical studies move from theory to data, knowledge generation involves a constant iteration between theory and data, and scholars are invited to embrace this approach (Einsenhardt 1989b; McNulty 1990). Ultimately, throughout this journey, I always kept in mind that a case study can only be defended if it possesses methodological rigour, transparency, relevance, well-documented evidence, and a traceable research process situated in a comprehensive literature review, all of which I strived to deliver. I set out to design a multiple-case study (Creswell & Poth 2018; Stake 1995; Yin 2014), to investigate the phenomenon of director engagement. The main unit of analysis of this case is individual directors, as I explore director enagegement as an individual-level process. However the institutional investor stewardship of interest to this case is that exercised through engagement with investee companies, potentially raising the question as to whether a firm-level unit of analysis would also be required and, in case, an explanation as to how the two would 'fit' in the study. Although case studies can have multiple units of analysis (Einsenhardt 1989b; Yin 1984), I designed this study with one unit of analysis, namely individual directors (as their engagement with purpose is the core concern of this thesis) and in the chapter entitled *Literature Review* I have offered several justifications for this choice, for instance that 'collectives do not act, only people do' (Rousseau 1985, cited in Bridoux & Stoelhorst 2016, p. 231), that some directors can have 'far more influence than others' (Hambrick, Werder & Zajac 2008, p. 382), and that 'certain directors can sway the entire board' (Judge & Talaulicar 2017, p.136) in one or the other direction. Furthermore, boards tend to formally structure their communicaton with investors, typically around individual directors, often chairs (Knudsen, Geisler & Ege 2013; Semenova & Hassel 2019; Stiles & Taylor 2001) to ensure, among others communication is coordinated and duties towards shareholders honoured (for instance equal treatement or non disclosure of insider information). Thus, in this case I adopted individual directors as unit of analysis and explored how institutional investor stewardship, exercised through engagement via dialogue with investee companies, and unfolding through individual directors, might affect director engagement with purpose. I identified in advance the repertoire or umbrella for this case study, the *quintain*, to use the terminology proposed by Stake (2006). The quintain of this study is director engagement with corporate purpose, which I set out to study across a number of cases. As recommended by Yin (2014) I made this choice because from the outset my aim has been to develop SC theory in the realm of directors. This choice has guided all my decisions in this thesis. As for challenges, I have faced a few: from choosing the topic, to difficult-to-access qualitative sources (Welch et al. 2002), deciding when I was reaching closure, and worries about my own ability, the logistics of the case, the budget I had set aside for it, among others. I will elaborate on these challenges in the sections entitled *Data Collection* and *Data Analysis*.

Setting the Scene

In this section I set the scene for the case study. Firstly, I elaborate on what I mean by *context* in this thesis and why it is important to the case; secondly, I present and justify the choice of Switzerland, and its system of corporate governance, as the selected context in which to explore director engagement.

The Relevance of Context

In this thesis I adopted an interpretivist view of corporate governance, a key ontological assumption being that it is a socially constructed reality (Morgan & Smircich 1980), a reflection of social values, a specific ideological point of view and a set of assumptions (Leblanc 2003). This implies that the positivist claim of absolute truths in governance is arguable, and raises certain epistemological issues, for instance that the question of the 'best' way to organise corporate governance is still open, possibly because 'best' is contextual to a variety of conditions and is dynamic in nature. Since time and context set the scene for this study, and for my understanding and interpretation of the evidence, from the point in September 2017 when the topic of this study first started to take shape in my mind, I took great care to develop an understanding of the context in which the study would unfold. Understanding the context has indeed been the *fil rouge* of this study. Field notes in my journal proved to be critical in this regard and helped me connect the dots, shaping and modifying the setting of the study, as I progressed through data collection, analysis and interpretation. Investing a considerable amount of time in the selected context during this study also proved to be essential in forming an in-depth understanding of it, and an appreciation of the *Zeitgeist* of the time.

Context matters, as it can have powerful and subtle effects on research findings (Johns 2006). Whetten (1989) posits that ‘it is important for theorists to be sensitive to context’ (p. 492) and Meyer (2015) argues that ‘principally, all management scholars aspiring a theoretical contribution should be concerned about context’ (p. 369). Although I am not a management scholar but rather a doctoral student aiming to develop as such, from the outset I have been aware of the importance of understanding context in management research in general, and in this study of corporate governance in particular. It was clear to me that, if I were to conduct an in-depth investigation of director engagement with corporate purpose, the context within which the phenomenon would unfold was going to be critical. I was also highly aware of the challenges I would face in integrating context in this study, and in the theoretical and policy contribution I aimed to make, as context also represented a limitation of the final results, despite scholarly calls for a greater appreciation of context to better understand governance mechanisms, particularly ‘to embrace strategy and knowledge dimensions together with contexctual issues’ (Filatochev & Wright 2011, p. 471). I viewed context as critically important, given that companies, directors and investors do not operate in a vacuum. Together with time, I regarded context as the scene-setting of this case study, the ‘space’ where the interdependent parts of this system would reveal themselves (Orssatto & Clegg 1999; Stake 1995). Both time and context have been instrumental to my understanding and interpretation of the evidence I collected. A key element of the context of this study is the Swiss system of corporate governance, which I present in the following section.

The Swiss Context

In this section I present the choice of Switzerland, and Swiss listed companies in particular, as an empirical context. The section is organised as follows: following an introduction to the

Swiss context, I review its system of corporate governance. I then elaborate on institutional investors and the Swiss sustainable investment market and conclude by introducing my preliminary choice of studying Swiss listed corporations.

Switzerland is a good case to explore on a number of levels: Swiss economy and society, regulatory framework, board system, salient stakeholders, institutional investors, and activism. The institutionalisation of shareholdings has been remarkable: after pension plans became obligatory in the mid-eighties, restrictions on the transferability of shares were lifted as equity markets globalised, and many companies have adopted international standards of corporate governance (Beiner et al. 2006). Switzerland is a small, open economy and large Swiss corporations are typically global. The Fortune Global 500 List (Fortune 2018) featured fourteen of the largest Swiss corporations, twelve listed companies and two *Genossenschaften* or cooperatives. Switzerland is a direct democracy (Federal Council 2019a). This special feature of the Swiss political system allows the people to express their opinion on parliamentary decisions, and to propose changes to the Federal Constitution. Approximately four times a year the electorate are called to exercise this right and they vote on an average of 15 federal proposals (Federal Council 2019a).

The seminal taxonomy of corporate governance systems at national level proposed by Weimer & Pape (1999) includes the Anglo-Saxon, Germanic, Latin and Japanese systems. The classification is based on eight characteristics pertaining to listed corporations, namely the prevailing concept of the corporation, the board system, salient stakeholders who might influence decision-making, the relevance of stock markets in the national economy, the existence of an external market for corporate control, how executive compensation links to performance, ownership structure and the importance and time horizons of economic relationships. Interestingly, Pagano (2012) argues that the diversity of governance systems between countries might also rest on the political context from which large corporations emerged. In particular, he proposes that if a democratic system already existed in a country at the time of industrialisation, as was the case for the United States and Switzerland, this would result in diffused corporate ownership, as the democratic system would most likely have challenged the concentration of economic power and worked towards dispersed ownership structures. This argument represents another relevant element in mapping the context of this study, as many Swiss listed companies feature a dispersed ownership structure (I will elaborate on this point in the section entitled *Primary Data Sources*).

Returning to the taxonomy of systems of corporate governance, in the literature Switzerland is often associated with the Germanic system (Culpepper 2003; Hall & Soskice 2001; Grosvold & Brammer 2011; Vitols 2005; Weimer & Pape 1999; Zeitoun & Pamini 2015), whose characteristics are: a market orientation within the country; a view of the corporation as an independent economic entity constituted of a coalition of salient stakeholders (banks, powerful business networks and employees with rights to participate in decision-making at board level or co-determination); a two-tier board system featuring a supervisory board (*Aufsichtrat*) which is separate from the management board (*Vorstand*) and has the legal duty to monitor management; a lower importance for stock markets in the national economy (as decision-making is influenced by dialogue between the board and management rather than by the market); the absence of an external market for corporate control; moderate concentration of ownership; and limited use of performance-related elements in executive compensation (Keenan & Aggestan 2001; Siems 2018; Weimer & Pape 1999). The Anglo-Saxon model (as found in the UK, US, Australia and Canada) stands in contrast to the Germanic one. Although also market oriented, it is reported as having strikingly different features, such as a concept of the firm as an instrument owned by shareholders; one-tier boards; shareholders as key stakeholders exerting influence on companies; a high importance of the stock market in the national economy; an active market for corporate control; low concentration of ownership, a close link between executive compensation and performance; and short-term oriented economic relationships (Keenan & Aggestan 2001; Siems 2018; Weimer & Pape 1999).

I must dwell on the association of Switzerland with the Germanic system of governance and question some of the 'Germanic' characteristics that the literature associates with Switzerland. Throughout this study, I remained sceptical of viewing it as a Germanic system, at least with regard to the three key criteria of the board system, importance of the stock market and salient stakeholders. Concerning the board system, although all Germanic systems of governance have two-tier boards, in Switzerland the role of the board is profoundly different from the one in Germany, the key country explored by Weimer and Pape (1999) in the taxonomy of the Germanic system. The difference of the Swiss board system is rooted in regulation, and even in the terminology used in German for 'board of directors'. In Germany the *Aufsichtsrat* or supervisory board is the 'board of directors', its key function being to monitor the *Vorstand* or executive board. Although historically restricted to 'an almost exclusive monitoring role' (Cromme 2005, p. 365), the Aufsichtsrat is slowly enlarging its remit to include support, advisory and some joint decision-making activities. In Switzerland the situation is quite different: the *Verwaltungsrat* is the board of directors, headed by the *President* or chair. As the term *Verwaltung* indicates, the board of directors is in charge of the management of the company’s affairs, as opposed to merely overseeing them, as designated by *Aufsicht*. The *Verwaltungsrat* is the highest management body in a company, and sits above the *Konzernleitung* or executive board, headed by the CEO, which manages daily operations. Legally, the duty of a Swiss board is to protect the interests of the company and boards are responsible for strategy. Many directors who participated in this study made frequent reference to this fundamental difference between the Swiss and German systems of governance, as a starting point to understand the dynamics of director engagement (I will return to this point in the section entitled *Data Analysis*). This difference of terminology in German language could easily be overlooked, yet it is very important because it relates directly to the duties of directors and the board, affecting the liabilities that Swiss directors carry as a result, the applicable regulation to boards and companies, both in terms of soft and hard law, and how directors view their role and responsibilities as members of the *Verwaltungsrat*. It also hints at changing and potentially growing requirements in terms of director background, international exposure, number of mandates, time and compensation to fulfill directorial and board duties. These factors have the potential to affect director engagement with purpose, and represent an indication of how critical the context is to this case study. Another critical element of the Swiss board system is that despite being a coordinated, market-oriented economy, Switzerland deviates from the Germanic system of governance because it lacks certain elements of legislation, for instance co-determination, i.e. laws mandating the representation of employees on boards (Hertig 2006) as Swiss citizens rejected co-determination in a 1976 referendum (Federal Council 2019b).

With respect to the importance of the stock market, another deviation from the Germanic system, where the Swiss stock market is reported to have moderate to high importance in the national economy (Keenan & Aggestan 2001; Weimer & Pape 1999), is that Switzerland possesses a relatively high stock market capitalisation vis-à-vis its gross domestic product (GDP) (Zeitoun & Pamini 2015). The stock market capitalisation in a country, generally calculated as the number of shares traded on the stock exchange multiplied by their price, is a common measure of stock market size, and is usually reported as percentage of GDP. The World Bank (2019) reports that a stock market capitalisation at or above 50% of GDP is an indicator of a well-developed stock and financial market. In 2017 it reported a stock market capitalisation of 248.4 for Switzerland, much higher than Germany (61.3) and above countries in the Anglo-Saxon system, such as the US (164.8), the UK (64.6), Australia (114) and Canada (143.7) (The World Bank 2019). Stock market capitalisation helps to evaluate the size of the stock market relative to the size of the economy. Open economies with sound macroeconomic policies, good legal systems, and shareholder protection attract capital, and therefore have larger financial markets (The World Bank 2019). Thus also from this perspective, the context of this study features Switzerland as a system of governance with an open, coordinated market-oriented economy, legally mandated roles and responsibilities for the board, salient stakeholders who include shareholders and their protection (as I will present in the following sections) but exclude employees (at least in the form of co-determination), and powerful business networks.

Concerning salient stakeholders, like other countries in the Germanic system, Switzerland features long-term economic relationships, as opposed the Anglo-Saxon model (Moerland 1995a, 1995b; Weimer & Pape 1999) where relationships tend to be short-term and companies place shareholder interests to the fore (Siems 2018, p. 235). In Switzerland (and in continental Europe) relationships within companies, and at national and international level, count more than control through markets (Siems 2018). Unlike Germany, in Swiss companies employees and strong ‘oligarchic groups’ (Weimer & Pape 1999, p. 154) are not the only salient stakeholders, as companies are predominantly viewed as institutions, coalitions of various participants which include, among others, investors, employees, customers and suppliers. In the Swiss context, a corporation is not an instrument in the hands of shareholders (Keenan & Aggestan 2001; Weimer & Pape 1999), an important aspect confirmed by the evidence collected in this study (which I will present in the section entitled *Data Analysis*). Furthermore, Wymeersch (1998) reports that in Switzerland it is widely accepted that a company should be managed ‘in its own long term interest’ (p. 1085) or the interests of the enterprise *an sich*, in itself. He also reports that it is widely accepted that shareholders’ short-term interests ‘should yield to the long term interests of the company’ (p. 1085). Given the above presented aspects peculiar to the Swiss context, I remained sceptical of the association of Switzerland with the Germanic system of governance, *tout court*. To complement the above analysis, I now present an overview of Swiss regulation relevant to companies and boards, as understanding the regulation (including both soft and hard law) further developed my understanding of the Swiss context, and its suitability for investigating the phenomenon of interest in this study.

When studying the Swiss regulatory framework, a quotation from William Shakespeare (Henry IV, Part 2, III i) came to my mind: ‘Uneasy lies the head that wears a crown’. Directors of a Swiss listed company have conflicting priorities, with investors voicing their expectations, boards being legally responsible to act in the interests of the company, and directors being individually liable for protecting these interests, unable to delegate key strategic, personnel and financial matters to management. In addition, to make the head that wears the crown even more uneasy, boards operate within a soft law environment which promotes ‘sustainable corporate success’ (Economiesuisse 2014, p.9) without actually defining how this might look. In essence, the regulatory framework enshrines in hard law the key duties of directors and boards, yet allows great latitude in the manoeuvring and interpretation by directors of a variety of business matters, among these corporate purpose, as I would eventually discover in the course of this study.

Concerning soft regulation, in 2014 Economiesuisse, the largest umbrella organisation representing the Swiss economy, issued a revision of the Swiss Code of Best Practice for Corporate Governance (Economiesuisse 2014). The first code had originally been published in 2002 (Economiesuisse 2002) and had already been revised in 2008 (Economiesuisse 2008). All three editions recommend governance standards and best practices; their provisions are non-binding and pertain to how companies should be organised and structured. The code is intended for listed companies, although the recommendations may also apply to other types of ownership structure. At its core is the principle that companies should retain the option of defining their own organisational structure and rules. However, deviations from the code’s principles result in a duty to provide suitable explanations (‘comply or explain’). The 2014 edition reflects important developments that had taken place in the Swiss regulatory and societal context since 2002. Most importantly, the 2014 code also reflects the amendment of the Federal Constitution with regard to creating the conditions for sustainable corporate success, and protecting common welfare and sustainable development (Federal Council 2018), all very relevant in forming an understanding of how directors might view corporate purpose and engage with it. The code also reflects the results of the widely debated popular ‘Minder’ initiative, which introduced, among other things, a Say on Pay right for

shareholders, and empowered them to elect directors each year at the AGM by exercising their voting rights (I will return to this important point in the next sections).
Furthermore, the 2014 Code emphasises the concept of ‘sustainable corporate success’ (p. 3), albeit without defining it, as a guiding principle of responsible business conduct. It also refers to ‘sustainable company interests’ (p. 6) and recommends that board activities should be ‘guided by the goal of sustainable corporate development’ (p. 9). The spirit of the code is to ensure that corporations retain their organisational flexibility, considered an important ‘locational advantage of Switzerland’ (Economiesuisse 2014, p. 3). I saw, in these soft law provisions and in the changes to the Federal Constitution, seeds of potential importance to corporate purpose and how it might link to sustainability and the sustainable development of the country. I also interpreted the code’s provisions as an indication of the Swiss lawmakers’ perception of their own role in supporting sustainable development and corporate governance: in essence, a general preference for creating framework conditions over regulation. I will return to this point in the section entitled *Data Analysis*.

With regard to hard law, Swiss legislation is flexible and grants listed companies room to manoeuvre (Denis & McConnell 2003) in regard to their legal duty to protect the interests of the company and their legal responsibility for its strategic direction, dimensions which may relate to corporate purpose. The main regulations concerning boards of directors and shareholders of listed companies are the following. First, the *Swiss Code of Obligations* or *OR*, ‘*Oberleitung’* (Federal Council 2017a), article 620, governs listed companies, and article 716 mandates the duties of boards of directors. Second, the *Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivatives Trading*, also known as the Financial Market Infrastructure Act or FMIA (Federal Council 2019c), sets out notification duties for any entity which acquires or disposes of shares in companies listed on the Swiss Infrastructure and Exchange (SIX), the Swiss stock exchange (I will return to this point in the section entitled *Primary Data Sources*). Third, the *Federal Law on Merger, Demerger, Conversion and Transfer of Assets and Liabilities*, also known as Merger Act (MA) (Federal Office of Justice 2004), provides legal certainty and transparency with respect to corporate restructurings, and guarantees the legal protection of all those concerned and affected by restructurings, with particular emphasis on safeguarding the interests of employees and minority investors. Fourth, the *Swiss Ordinance against Excessive Compensation* (OaEC) (Federal Council 2019d), or the Swiss 'Say on Pay' provision, entered into force on January 2014 following a public referendum in March 2013, popularly known in German as the 'Minder Initiative', named after the key person behind it, or the 'Initiative gegen die Abzockerei' which can be loosely translated as 'The Anti-Rip-Off Initiative'. Voters called for new rules to curb executive pay and improve the governance of listed companies. As a result of the initiative's approval, two new paragraphs were added to the Swiss Federal Constitution (Federal Council 2019; Ferrarini & Ungureanu 2018). Inter alia, the OaEC mandates that shareholders must elect all members of the board of a listed company annually; empowers them to exercise their vote on the aggregate remuneration of all directors (executive and non-executive, and advisory, if any); prohibits so-called 'golden parachutes', forms of compensation such as severance payments; mandates that companies must indicate in their articles of associations the maximum number of permissible directorial mandates in other companies (listed or not); and prohibits the delegation of the board management responsibilities to executives. Breaches of these provisions carry penal provisions for directors. It is important to dwell on the Minder Initiative as it is an important window on another key aspect of the context of this case study. Switzerland is a direct democracy. Ever since 1848 (the date of the first written record of a popular initiative), citizens have exercised their right to organise popular initiatives or referenda on a variety of subjects. Over the years, Swiss citizens have approved referenda establishing, among other things, freedom of religion (1866), women's right to vote (1971), ban on arms' exports (1972), separation of state and church (1980), abortion rights (2002), free movement of people between Switzerland and the European Union (2009) and limitation of mass immigration (2012) (Federal Council 2019). In 2019 Swiss citizens might be called to vote on the *Konzernverantwortungsinitiative* or Responsible Business Initiative. Launched in 2015 by a coalition of business organisations, NGOs, politicians, academics and religious groups, this popular initiative aims to establish a legal requirement for Swiss global corporations to carry out due diligence on human rights and environmental standards, to report transparently on the rights violated and the measures taken, and to be liable under Swiss law for violations caused by their foreign subsidiaries as well as by large subcontractors and suppliers in and outside of Switzerland.

To complete the overview of Swiss hard law pertinent to this study, it is important to mention that since the 2008 financial crisis additional rules apply to insurance companies and banks. In particular, the Swiss Financial Market Supervisory Authority (FINMA) published in late November 2016 its circular 2017/1 entitled 'Corporate Governance, Risk Management and Internal Controls – Banks', consolidating requirements in the areas of corporate governance, risk management and internal control systems. The circular contains provisions emphasising the importance of modern corporate governance and sets minimum requirements for board composition and the qualifications of directors, corporate governance disclosures and the broad development of a comprehensive risk management framework and internal control systems. It also sets strict criteria for director independence and mandates the establishment of an audit and a risk committee at board level, forbidding the chair of the board from being a member of these committees (FINMA 2017).

As regards investors, in Switzerland institutional investors (national and international) make up 86% of all sustainable investment (SI). The SI market continues to grow significantly. Swiss Sustainable Finance, in cooperation with the University of Zürich, reports that the SI market, worth US$32 billion in 2007, had reached US$400 billion in 2017, with an increase of 82% within the last two years (Swiss Sustainable Finance 2018). Most importantly, the integration of ESG factors into the selection and management of investments plays a key role in the SI approach. For the period 2016-2017, Swiss Sustainable Finance (2018) reported, among others, an increase of 140% in ESG voting, 90% in ESG integration and 27% in ESG engagement. Interestingly, the main ESG engagement topics with investee companies are reported to revolve around corporate governance issues, climate change risk management and reporting, human rights and sustainability management and reporting. Furthermore, demand from institutional investors features among the key drivers of SI development in the next three years, followed by private investor requirements, international initiatives and legislative changes (Swiss Sustainable Finance 2017, 2018). These are important indicators of the relevance of institutional investors as a driving force for SI as part of an investor stewardship approach and demonstrate the type of influence institutional investors might exercise on director engagement with corporate purpose.

Two international agreements set the scene for the role of institutional investors in the SI investment approach: the UN 2030 Agenda for Sustainable Development (UN 2015), the blueprint for a more sustainable future (behind which Switzerland has been a driving force);

and the Paris Climate Agreement, ratified by the Federal Council in 2017 (Federal Council 2017), requiring climate-friendly financial flows and investments. Although Switzerland lacks an investor stewardship code comparable to those of the UK, Germany or Japan, investor stewardship and engagement behaviour are encouraged in the Guidelines for Institutional Investors (ASIP 2013). Following the financial crisis of 2008, there was political pressure on institutional investors in Switzerland to exercise their participation rights with a more systematic stewardship approach, and the Guidelines represent a pragmatic Swiss response to address this issue. The Guidelines include voluntary provisions which leave investors room to manoeuvre in the interests of their clients. I interpreted this approach as ‘typically Swiss’ as some participants in this study mentioned in their interviews (see the section entitled *Data Analysis*), and an indication of the Swiss regulators’ tendency to provide companies with broad framework conditions and leave them freedom to organise and conduct their business as they think best. Nonetheless, throughout the Guidelines, one cannot overlook the fundamental stance of the authors, or that it is in the interests of both investors and listed companies to promote proper stewardship and governance in the interests of their clients and potentially the whole Swiss economy. In particular, the Guidelines also set out recommendations for smaller institutional investors who may not have the means or capacity to carry out in-depth analysis and engagement with their investee companies. Smaller investors may choose to rely on the services of proxy advisors, although the Guideline’s preference is clearly for direct stewardship. This is an important point, as proxy advisors emerged as a theme of this case study (as I will present in section entitled *Data Analysis*) affecting engagement with purpose and how it is shaped by institutional investor stewardship.

Having presented the choice of Switzerland as the empirical context of this thesis, and introduced its system of corporate governance, the relevant regulatory framework, the institutional investor and SI environment, I now introduce the preliminary choice of studying the largest, global Swiss listed companies. Scholars have noted that the economic power and geographic scope of global corporations place ‘beneficial changes to their governance among the most important challenges for humanity’ (Starbuck 2014, p. 16), as these companies have contributed to, as well as mitigated, some of the world’s challenges. Swiss listed companies are among the large, global corporations that feed us, dress us, take care of our health, digitalise us and manage our digital footprint, build our homes, workplaces and the infrastructures by which we move and travel, manage our savings and insure us against a variety of risks. Despite a reported decline over the last fifteen years of the public listed corporation in the UK and in the US (Franks & Mayer 2017) and the apocalyptic outlook depicted by Michael Jensen’s *Eclipse of the public corporation* (1989), before World War I Switzerland was among the countries with the highest number of listed corporations (together with Australia, Belgium, the Netherlands and the UK) (Franks & Mayer 2017; Rajan & Zingales 2003) and at the dawn of the twenty-first century it remained ‘well above the global average’ (Franks and Mayer 2017, p. 4). Statistics SIX allowed me access to, show that over the last eleven years, between 2008, the year of the financial crisis, and 2017, the number of listed companies declined slightly (from 315 to 249), then it increased to 258 in 2018 and is projected to remain at or above this level in 2019. From the perspective of the number of listed companies, therefore, the choice of studying Swiss listed companies seems appropriate as Switzerland is not experiencing the eclipse of the public corporation, although the national economy also includes, alongside small and medium size companies, large private corporations in the form of family firms and cooperatives (an aspect I considered when designing and carrying out the pilot study). As a preliminary choice, I selected listed corporations, as this type draws institutional interest, intense scrutiny from regulators, and attention from society and the media (Long, Dulewicz & Gay 2005). Their economic importance is disproportionately high given their scope, size and impact (Weimer & Pape 1999), and they represent the primary target of the exercise of stewardship on the part of investors. As listed entities, they have disclosing and reporting obligations which include their dealings with investors, corporate governance and, potentially, their sustainability activities. In addition, the selection of listed corporations in this study (and therefore of directors who are members of their boards) had the potential to make the findings more relevant to similar types of ownership structures in other jurisdictions. These factors made them an appropriate, yet still preliminary, choice for this study. At this stage of the research process, armed with the choices I had made, I set out to design and conduct the pilot study.

The Pilot Study

Between August and October 2018, I conducted the pilot study. I opted for a pilot, rather than a pre-test which would have required a complete 'dress rehearsal' (Yin 2014, p. 96), given the access difficulties I would face in this study, and the fact that I am a doctoral student developing research skills rather than an experienced researcher. I chose to focus my energy on the pilot study as the final stage in preparing for the main study's data collection. In the pilot, I addressed methodological and data collection issues, helping me to further develop and make informed choices about the key lines of enquiry, and to develop the conceptual model of the study. It also supported me in refining the interview protocol and process, and in testing my own ability as interviewer. In the next sections, firstly I provide a brief description of the pilot structure; secondly, I introduce the participants, and explain how I identified and selected them; and thirdly I elaborate on how I went about deepening my understanding of the context of the study. I then present the pilot results and how they informed the subsequent choices I made for the focus and design of the main study.

Pilot Structure

In June 2018, I obtained my institution’s ethical approval to enter the field, and during the summer months I planned the pilot study. The planning phase included parallel streams of activity: drafting the interview protocol and the informed consent form, identifying and selecting participants, and identifying and selecting secondary data sources that would help me develop a richer understanding of the context of the study. For this phase I prepared the *Informed Consent Form* and the *Interview Protocol* (presented in Appendix 2 and Appendix 3 respectively). I will now elaborate on these two important instruments.

While drafting the interview protocol and preparing for my first contact with potential participants, I designed the *Informed Consent Form* which I signed and emailed to each participant in PDF format upon confirmation of the interview date. The form was counter-signed and returned to me either via email or by handing in the original copy on the interview day. The informed consent introduced me and the purpose of the study (Creswell & Poth 2018). It also outlined participants’ rights and my duties towards them. I based the form on the notion that participants had the right to understand the scope and nature of the project they were agreeing to become part of. I was keen to offer them the overall picture of this study, rather than just presenting them with a set of questions. Participants also had the right to refuse to answer any questions or to withdraw from the interview at any time (Schwandt 2015). In the informed consent form, I also addressed issues of confidentiality and anonymity, explaining how results would be reported and how the use of quoted material would be managed. I also explicitly requested written permission to audio record the interview and outlined how I intended to ensure their anonymity, and the safety and confidentiality of the data they would share with me.

The interview protocol consisted of seven main questions, carefully aligned to the initial conceptual framework, ensuring that each question addressed one key aspect of the framework: namely corporate purpose, institutional investors, and director engagement with corporate purpose. In order to understand the relationships between these topics and concepts, at this stage I kept the questions quite broad and general as I wanted to discover what the most relevant issues would be from the participants' perspective. The first two questions were intended to enable me to understand how the participants appreciate corporate purpose and when they believe it matters most. The choice of these questions was in line with my intention not to assume what purpose is, or that it is important, but rather to discover in the field whether indeed this was the case. The first two questions were as follows:

Question 1: 'What is corporate purpose, in your view and in your organisation's view?'
Question 2: 'When does corporate purpose matter most?'

In question 1, when enquiring about purpose, I specifically distinguished between the interviewee's and the organisational view, as I could not assume they were the same. I had a range of assumptions about how participants would understand corporate purpose, from the reason why the corporation exists, to its social purpose, to how it creates value, from short-term maximisation of shareholder value or profit, to long-term value creation. I checked the correct translation of the expression ‘corporate purpose’ in German, and verified with my support network (which includes native German and Swiss German speakers) that the term *Konzernzweck* is commonly used in the fields of business and governance. During the interviews I referred to *Konzernzweck* when I felt that German-speaking participants would appreciate hearing a familiar term next to the English expression ‘corporate purpose’. Through the five pilot interviews it became evident that participants had their own view of corporate purpose and tended to dismiss the organisation’s view. When I probed them on the company’s view, participants confirmed that it was the same, adding comments such as ‘otherwise I would not work here’ or ‘if they understood our purpose differently I would not serve on this board’, or referring me to the annual report or documents they confidentially shared with me. Questions 1 and 2 in turn introduced the second set of questions designed to break down the dynamics of engagement with corporate purpose and its elements:

Question 3: ‘Can you describe your engagement with corporate purpose?’
Question 4: ‘When does director engagement with corporate purpose matter most?’

During the interviews I adjusted the wording of these questions and adapted them to make them relevant to the specific interviewee. For instance, when interviewing the managing director of a corporate governance proxy advisory agency, I adjusted question 3 to *‘What experiences have you had of directors engaging with corporate purpose?’,* as the aim was to collect evidence on the experience of this participant with director engagement. With regard to question 4, the words ‘matter most’ were chosen deliberately and informed by Leblanc (2003) who, in the context of a study on board effectiveness, did not assume that boards matter but used a specific question in the pilot study to verify whether this was indeed the case. Similarly, I considered it important to gain insights from the interviews as to the context in which director engagement matters most. I also was interested in exploring whether specific factors emerging from the literature review as potentially influencing engagement with purpose, for instance ownership, lifecycle or industry, would in fact be mentioned by the interviewees. In turn, these questions led to the third set of questions related to investors. I intentionally made reference to investor stewardship and activism, as I wanted to explore whether participants perceived them differently and whether engagement would emerge as a crucial form of stewardship practice via investor activism. Questions 5 and 6 were as follows:

Question 5: 'What role do investor stewardship and activism play in ensuring corporations can serve their corporate purpose?'

Question 6: 'How do investor stewardship and activism influence director engagement with corporate purpose?'

Question 5 was designed to understand better the link between investor activism and purpose-driven corporations, by which I mean corporations which place corporate purpose at the heart of their business. I used these expressions as synonyms. Question 5 aimed to identify the mechanisms through which the aims and actions of stewardship and activism interplay with corporations serving their purpose. My objective was to uncover a range of ESG factors and their link to corporate purpose and director engagement. Question 6 was designed to understand the influence of investor stewardship and activism on how directors engage. Question 7 concluded the interview protocol and aimed to capture future opportunities, challenges and developments with regard to director engagement and the broader field of governance.

Question 7: 'What are the main developments, opportunities and challenges concerning directors and their engagement with corporate purpose?'

In July 2018 I started to keep a journal where I would capture my field-notes, documenting activities, observations, reflection, thoughts and anything that came to mind on any day or, often, at night. This journal is different from the extensive note-taking I had conducted during my doctoral studies. I wanted to start a new record that would develop in parallel to the development of this thesis, serve as a key element in capturing the evidence for this thesis and support my interpretation. Since the journal itself is thick and heavy, I also equipped myself with a mini paper notebook which I carried with me everywhere, so that I could write down on the spot anything I considered worthy of an entry. Once at home, I would copy my field-notes into the journal, expanding them as appropriate. I also disciplined myself to read the whole journal at least once a week, making further notes, framing questions and open points in my mind and on paper. At times I only wrote down a big question mark, indicating that on that day I felt quite confused or overwhelmed. Overall the pilot study informed the research strategy and design of the main study. It provided me with detailed feedback on what participants in the field understand by some of the words and terminology I used, and it gave me ideas on how to refine the research questions so that they would become more meaningful, and potentially more relevant to the target set of participants in the main study. It also suggested alternative avenues and perspectives, often relating to current or recent policy and practice issues (for instance, ESG, sustainable investing, and regulatory changes toward integrated reporting).

Pilot Participants

I carefully designed the identification and selection of participants to maximise the opportunity to collect rich data and uncover a broad range of issues related to director engagement with corporate purpose. I will return to the point of participant *identification* and *selection* as two distinct phases connected by *access* activities in the section entitled *Data Collection*. At this stage, it is important to clarify that an 'identified' participant was a participant I had targeted, while a 'selected' participant was one who took part in the study either via direct consent or as a way for me to overcome certain access difficulties. I considered the pilot a critical phase of the research process, as it represented an opportunity for me to discover, learn, focus, ponder and adjust as needed in preparation for the main study. Over the course of four weeks, from end of July 2018 to the end of August 2018, through four iterative draft lists of candidates and three phone calls with my support network, I identified a short list of five participants who then turned into selected participants without major access constraints. The criteria I used to identify and select participants included: elite membership and exposure, as participants needed to be members of managerial and governance elites (directors), with roles which exposed them to the phenomenon I was researching; and organisational type, as participants had to represent a variety of organisations (not-for-profit, for-profit, listed and private corporations), in different institutional and governance systems. I was also mindful of participants' background and previous exposure to contexts that could enrich the interview data, allowing me to dig deeper into the subject. Although I had made the decision to study the Swiss empirical context (as described in the section entitled *The Swiss Context*) as most appropriate in answering the research questions of this study, I used the pilot to play devil's advocate and explore non-Swiss contexts and non-listed corporations. I was interested in allowing issues to surface, to ponder on my choice of listed corporations and on Switzerland, so I aimed to maximise variety. With regard to the term *elite*, in this study I adopted the definition proposed by Pettigrew (1992) as ‘those who occupy formally defined positions of authority’ (p.123), as it is succinct yet broad enough to encompass members of the business/investment, community and political spheres of interest to this study. I will return to this term at length in the section entitled *Data Collection*. Table 1 (below) presents an overview of pilot participants.

Table 1 Pilot Participants

Participant Role	Organisation	Headquarters Location
Chief Human Resources Officer	Private, global corporation of the outsourcing and technology industry	UAE
Chief Financial Officer	Not-for-profit, global sport federation	Switzerland
Managing Partner	Governance advisory and proxy agency	Switzerland
President	National business federation	Switzerland
Legal Counsel & EVP Public Policy	Fortune 500, listed corporation of the communications and technology solutions industry	US

I aimed to identify and select participants from organisations located in different institutional and governance environments in order to maximise potential variations in the data. This is in line with the literature review, and in particular with the claim that variations in institutional settings may significantly affect and contribute to explanations of governance mechanisms (Adams, Licht & Sagiv 2011; Hooghiemstra, Hermes & Emanuels 2015), potentially influencing how directors engage with purpose, and that institutional forces at national level need to be integrated with behaviours at a company level to better understand governance practices within corporations (Aguilera, Judge & Terjesen 2018). The final choice of the US and the UAE alongside Switzerland was guided by the literature. In the national business system (NBS) literature (Grosvold & Brammer 2011; Whitley 1998, 1999), Switzerland features among the coordinated market economies, with two-tier boards (a board of directors and an executive board with separate chair and CEO positions), and is characterised by strong labour relations, powerful business networks and a view of the corporation as an institution and a coalition of various participants. In contrast, the US is appreciated as a liberal market economy, with market-balancing industrial relations and competition complementing extensive industry collaborations. In the US, corporations are regarded as an instrument in the hands of shareholders, and governance structures generally include one-tier boards where the same person holds the positions of Chair and CEO. However, the NBS literature overlooks emerging and developing economies, such as the United Arab Emirates (UAE) (Fainschmidt et al. 2018). These economies include the majority of the world's population and, since 2013, most of the global purchasing power (*The Economist* 2013), hence I considered it important to include at least one country from this group. I complemented the NBS literature with the most recent literature on institutional systems (Fainschmidt et al. 2018), which views the UAE (among other Gulf countries) as a centralised, wealthy, tribe economy, a 'paternalistic institutional system' where 'the family is the state' (p. 316), featuring the direct dominance of a welfare state, a low level of organised labour relationships and a developing appreciation of corporate governance, with a focus on governance awareness and the encouragement of the application of governance principles. The UAE institutional system appeared to be in stark contrast to Switzerland and the US, potentially maximising variances.

Of the five pilot participants, three were Swiss nationals (two males and one female), and the remaining two were American and Indian citizens, both males. The participant short list included the Chief Human Resource Officer (CHRO) of a private corporation headquartered in the UAE and active in the business of service outsourcing for governments. This participant had previously served in the same capacity in a large, listed Swiss corporation and in two Asian listed corporations, all three exposed to shareholder activism. The second participant was the Chief Financial Officer (CFO) of a global, not-for-profit sport federation based in Switzerland, and had previously served as CFO of a Swiss listed corporation in the travel and entertainment industry. The third participant was the managing partner of a Swiss-based corporate governance and proxy advisory agency mainly serving the national market. The agency advises investors on ESG issues and voting. The fourth participant was the president of the Swiss Business Federation representing the interests of the business community vis-à-vis national and international institutions and society, and is the leading consultative partner for the Federal Government. The fifth participant was the general counsel and member of the executive board of a Fortune 500 US listed corporation operating in the technology industry. As director, he had led the board response to the letter from BlackRock's CEO Larry Fink 'A sense of purpose' (Fink 2018), inviting investee corporations to articulate their purpose and the governance structures they had in place to achieve long term value creation. At the time of the interview, this participant was also leading the dialogue on behalf of his corporation with institutional investors and US policy-makers on the subject of purpose-driven corporation.

I approached four participants directly, as I knew them personally from my previous executive and governance work. A telephone call from a member of my support network served to introduce me, and the study, to the fifth participant (the general counsel of the US listed corporation), who promptly agreed to participate and invited me to contact him directly. I scheduled all interviews swiftly, except the one in the US where the interview date had to be rescheduled twice due to changes in the participant's travel schedule. From the beginning of the study I adopted a simple rule which proved to be quite effective: I would offer maximum flexibility in terms of interview dates, timings and locations. Participants (and their assistants) appreciated that I made scheduling as easy as possible for them: I never cancelled or rescheduled an interview; I provided them with succinct yet comprehensive background information; and I prepared thoroughly for each interview. In this phase, being *in situ* in Switzerland for seven weeks (and in the UAE and the US for two interviews) allowed me the flexibility needed for this research journey. Participants agreed without hesitation to my recording the interviews and raised no issues concerning the interview protocol or the informed consent form.

I conducted five semi-structured, open-ended, face-to-face interviews which lasted on average 68 minutes, with the shortest 41 minutes and the longest 98 minutes. The pilot made me realise that aiming for one-hour interviews would make it easier to get an appointment with the elite members I was targetting than a two-hour interview. I also realised that in my introductory email I should indicate an approximate interview duration of 50-60 minutes, as I knew from experience, confirmed in the pilot phase, that directors might wish to keep a buffer of five to ten minutes between meetings. All pilot interviews were audio recorded and conducted in English. I used a high-quality but unobtrusive audio-recording device, in order that, once placed in front of participants, it would not distract their or my attention during the interview, while still providing very clear audio quality to ensure accurate transcriptions of the interviews. As expected from this elite group (Pettigrew 1992), participants tested my knowledge of their organisation, their own background and the topic, that is, they tested my professionalism. I was well prepared for each interview so felt a certain degree of confidence, and displayed the utmost respect and gratitude for the hospitality, time and insights participants shared with me. The interviews were intense, requiring my full attention, as well as time management, and the ability to gauge whether I had expressed myself clearly or whether more explanation was needed. Most interviews ran uninterrupted, except for one with the Swiss CFO who had to take a brief phone call during the session. After each interview I was careful to write down a few notes while my memory was still fresh. During the interviews I did not take notes, as it became clear to me that participants wanted to engage in a conversation among equals (at least in respect to the topic). Keeping eye contact at all times, I preferred to concentrate fully on the interviewees. I was made welcome in all locations, with access passes prepared, and assistants took care of me before, during and after the interviews. From the first email contact, participants showed interest in the topic, confirming that it is an area in need of examination and worthy of my efforts and their time.

I transcribed each pilot interview within a maximum of 48 hours. The first transcription was the hardest, as it was the first time I had produced a written account of what an interviewee had said during an interview I conducted. Although the process was slow at first, I gained confidence and competence, while taking great care: reading each full transcript at least three times, twice on the day of the transcript completion and a third time a few days later, paying attention to each word and to punctuation. I always kept in mind that these transcripts form part of the chain of evidence I am building for this thesis, hence they needed to be clearly written and mirror the audio recordings, not only for my own benefit but also for that of any researcher who might wish to read them in the future. Scholars advise that transcription, and the written account obtained from it, is in a way an act mediated by my own judgement of what is relevant, by the norms of what is proper and by my mere presence in the room (Schwandt 2015; Van Maanen 1988). Thus I was aware that the transcripts I produced represented a filtered record of what had been said during the interview.

Given the importance of social and business networks among elites (Pettigrew & McNulty 1995) and the existence of a strong peer mentality among directors (Leblanc & Schwarz 2007; Pettigrew 1992), the pilot study interviews also represented an opportunity to begin to introduce myself and the study to a wider audience and to receive (at times without even asking) recommendations identifying other potential participants in the main study. Through the interviews, I also located additional secondary sources (documents) and started to develop a deeper understanding of the context in which Swiss listed corporations and their directors operate.

Pilot Data Analysis

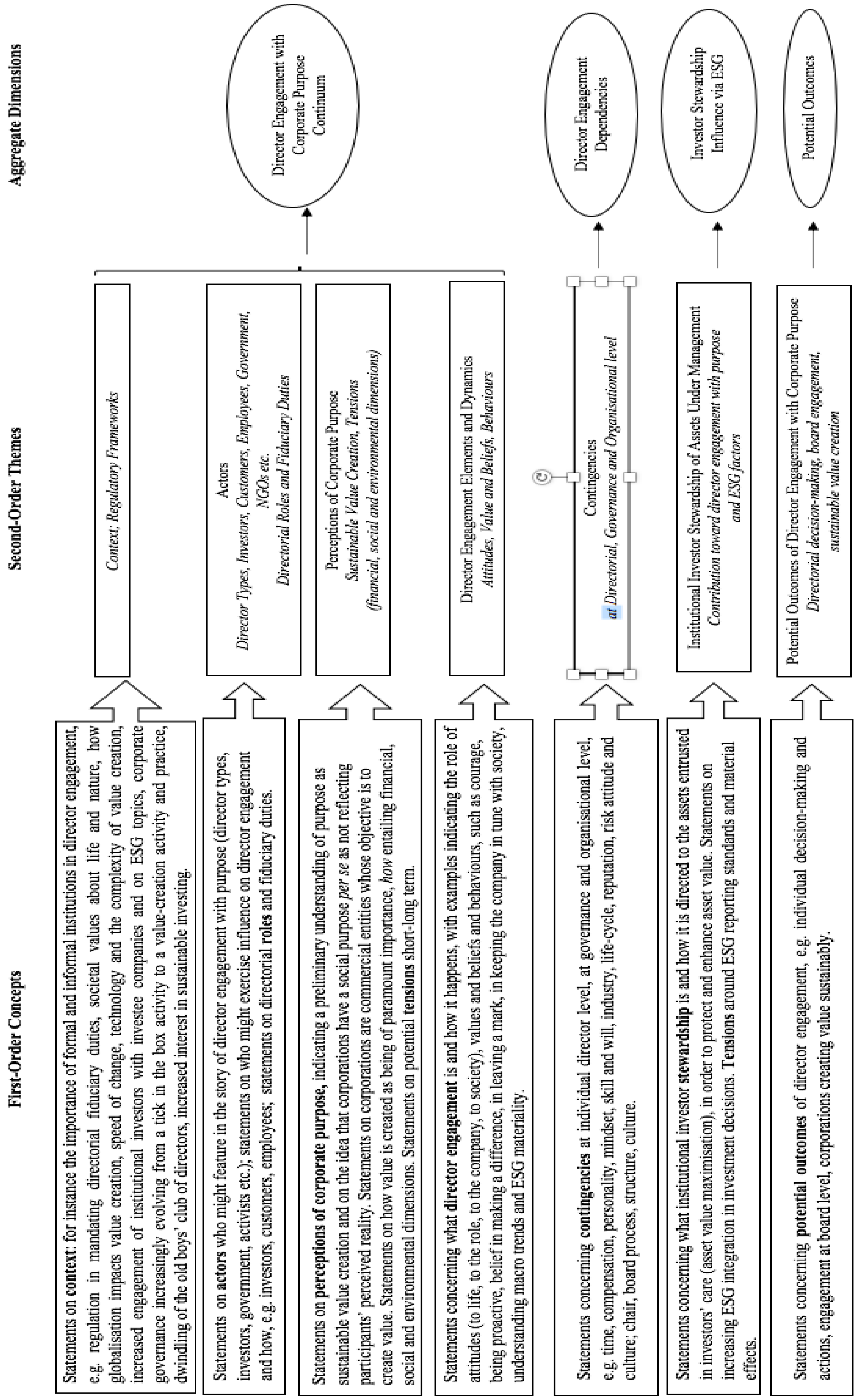
Upon transcription of the interviews, I started the pilot data analysis. It comprised the identification of first-order concepts, second-order themes and aggregate dimensions (Gioia, Corley & Hamilton 2012). To ensure the robustness of the pilot analysis, I adopted content analysis techniques proposed by Eisenhardt (1989), Gioia, Corley and Hamilton (2012), and Miles, Huberman and Saldaña (2014). I first analysed the interview transcripts and my field-notes, highlighting words and phrases used by participants, and constituting first-order concepts. I then grouped these into meaningful themes to answer the research questions, eventually progressing to aggregate dimensions, or further theorisations of concepts and themes. Throughout this process I kept asking myself and the data 'the interrogative quintet: who, what, when, where, why?' (Dey 1993, p.83), in a way establishing a dialogue with the written text in search for answers. Since I conducted a pilot study, and not a pre-test or a full 'dress rehearsal' (Yin 2014, p. 96), in this phase I did not use any qualitative research software (such as NVivo), reserving this tool for the main study. In the pilot, data analysis was inductive and interpretative, started upon completion of the first interview transcript and continuing in parallel with the data collection. To identify the categories and themes from which I developed the pilot study findings and their relationships, I proceeded in three stages.

In the first stage I reviewed each transcript, and identified words, paragraphs, sentences, coding based on *in vivo* words, centred on the participants and representing their voices. I disciplined myself to adhere to the terms and words used by participants, putting aside my own terminology or that which I had learned through the literature review or other documents. It took me some time to fully grasp the meaning of the term ‘code’. In particular, although I have learned during my doctoral journey and from the literature that codes are ‘labels that assign symbolic meaning (…) to information’ (Miles, Huberman & Saldaña 2014, p. 71), I nevertheless kept thinking of codes as containers, and in this phase of the study I came to realise that they are containers of diverse meanings and possible associations, supposed to capture information meaningful to the research questions of this study. This realisation was important to me, as it helped me to separate in my mind and in my coding information relevant to this study from information that was important, interesting or intriguing but not directly relevant to the research questions. I started to keep a log of this type of evidence and kept updating it throughout the study, with the goal of revisiting the final version, as an indicator of potential avenues for future research. I was intrigued by terms participants used for corporate purpose, which included ‘ethos’, ‘value creation’, ‘sustainable value creation’. No participant used the terms ‘social purpose’, ‘social responsibility’ or ‘corporate responsibility’, either to describe corporate purpose or in relation to corporations, directors, or investors. I reflected on this point throughout the pilot and the main study, as it gave me an early sign of the strategic nature of purpose as a core element of business. I was also intrigued by participants’ mention of ‘industry’ and ‘industry effect’, indicating that purpose matters in all industries as it ‘cuts across everything and every industry’ in the words of the CHRO. First-order analysis resulted in a total of 112 first-order concepts (Appendix 4 presents the full list of first-order codes).

In the second stage I moved ‘up’ the theoretical realm and began to aggregate first-order concepts into second-order themes, centred on the research, which I supplemented with documentary analysis and my field-notes. Through a number of iterations, I arrived at seven themes related to context, protagonists, perceptions of corporate purpose, director engagement elements and dynamics, contingencies of engagement, investor stewardship, and potential outcomes. It is at this stage that a data structure started to emerge, as I moved iteratively between the data, first-level codes and the literature, taking the time to reflect and step away from the evidence before plunging back into it. I needed a certain degree of perspective to look at it in different ways. I also started to triangulate the evidence with archival documents and with my field-notes to prepare the identification of a higher set of codes.

In the third stage I sought to further collapse second-order themes in aggregate dimensions, which informed the main findings of the pilot study. At this moment I felt I was beginning to focus the thesis on the following dimensions: *director engagement with corporate purpose continuum*, as an affective-cognitive-behavioural mechanism, *director engagement dependencies, investor stewardship influence via ESG* factors, and *potential outcomes*, which included directorial decisions and actions, board engagement and value creation. Figure 4 presents the pilot data structure. It presents in visual format a selection of first-order concepts, and all second-order themes and aggregate dimensions emerging from the pilot study as preliminary theoretical foundations of what would later become the initial model of director engagement with corporate purpose. The data structure format of Figure 4 features in the Gioia, Corley and Hamilton (2012) data analysis methodology (adopted in this thesis) and in other studies (Corley & Gioia 2004; Tilba & McNulty 2012). It provides a graphic representation of how I progressed from first-order concepts to second-order themes and aggregate dimensions, allowing me to think about the data theoretically and to be transparent about how I progressed through the three stages of data analysis.

Figure 4 Pilot Data Structure



As I progressed through the pilot analysis, it also became clear that a number of participants (and other individuals) had or would also become key informants of this thesis (Yin 2014), greatly assisting me with connections, raising questions or issues that would trigger further thinking, different interpretations or even questions on the research questions of the study. Informants expanded my support network, which, throughout this study, acted as facilitator, challenger, confidant and trusted advisor (Schwandt 2015). I present the findings from the analysis of the pilot in the next section.

Pilot Findings

I grouped the findings from the pilot into six categories. Firstly, the pilot indicated that we are at the outset of a journey whose final destination is the appreciation and exercise of corporate governance as a value-creating activity, which in turn might lead to purpose-driven corporations. The context sets the scene for the story of director engagement with purpose and the influence of investor stewardship. Context might include regulatory frameworks and developments (in both soft and hard law), institutional environment, societal values, changes in customer preferences and asset owners' priorities, and the political and social climate in which the story unfolds. Secondly, purpose is appreciated as sustainable value creation for society as well as investors, predicated in three dimensions: financial sustainability (related to the financial health of the company); social sustainability (or how the corporation interacts with society and serves its evolving needs); and environmental sustainability (or its contribution to respect, care and protection of the environment). Although there is a tendency to think of sustainability as a long-term goal, the short-term is important for purpose, as companies also need to be sustainable this month, next quarter or this year to fulfil their value-creating purpose, or at least some elements of it. This realisation made me ponder on the perils of directors focussing on long-term sustainable value creation under the influence of investors increasingly focussed on ESG factors, at the risk of overlooking the short-term health of a business. In October 2018 (during the pilot) Patisserie Valerie, a listed UK coffee chain, went into administration. The case revealed serious governance issues, while the company had been scrutinised for its sourcing of palm oil, in common with similar businesses. The perils of long-term thinking brought to mind an image of investors and directors investigating the sustainability of palm oil sourced for Patisserie Valerie's finest eclairs, without noticing that the business was bankrupt (*Financial Times* 2019; Montagnon 2019). Thus, I realised that purpose would develop through the main study with both short- and long-term dimensions in time.

Thirdly, director engagement with purpose emerged as a cognitive-affective-behavioural mechanism potentially predicated along a continuum where directors might be at different stages of engagement. Engagement was viewed as contextual to a number of factors and contingencies at directorial, governance and organisational level. At this stage I felt that the question of *how* value is created would become central to the essence of director engagement. *How* emerged as contextual to, and dependent on, many factors, among which feature the great challenges and societal expectations of the twenty-first century.

Fourthly, institutional investors (OECD 2011), in particular their stewardship, exercised via a form of investor activism known as engagement around ESG topics, emerged as the main force potentially contributing to director engagement. Beyond filing resolutions and voting at AGMs, investors increasingly engage with directors on ESG issues which relate to corporate purpose or how value is created. Fifthly, tensions emerged between investor stewardship and director engagement, for instance the proverbial conflict between short- and long-term approaches, one of the key conflicts of our century (Starbuck 2005), and the measurement and reporting of ESG factors, which do not generally form part of companies' annual reports and are regarded as 'non-financial' matters. Tensions also included views of ESG factors as risks or opportunities.

Finally, a key finding of the pilot related to my development as a researcher. I learned how to examine the data systematically and justify my assertions with evidence. I learned how important it was to prepare thoroughly for each interview. I learned about prompting participants and using probing questions, and how to read or rather 'hear' between the lines of the accounts shared with me. I learned about losing myself in the sheer volume of data and intellectually navigating my way through conceptualisations and structure. Most importantly I gained confidence in my ability to conduct the main study and overcome the considerable access constraints that awaited me. I also learned to conceptualise my fears in stages, so that I could focus on the tasks at hand, without constantly looking at the insurmountable task ahead and feeling overwhelmed. The task remained huge but, as they say in South Africa, 'How do you eat an elephant? One piece at a time'. Given the findings from the pilot, I made a number of choices to focus the main study.

Main Study Focus

In this thesis, I am not attempting to reconstruct every instance of director engagement, nor am I proposing a definite theory of directorial cognition. Rather, through the careful selection of areas of interest and scope, I hope to provide a fundamental understanding of when and how directors engage with purpose. Consequently, the pilot study was instrumental to identify the precise areas of theoretical and empirical focus of the main study, including key concepts and their relationships. The study attempts to model the theoretical relationship between *institutional investors* and *director engagement with corporate purpose*, aiming to understand the elements and dynamics of director engagement and how institutional investors might contribute to it. I used the findings of the pilot study to focus the research questions, and to amend the organising framework for the study of director engagement and the study design. The revised research questions are as follows (although presented already in the *Introduction*, I list them below in the interest of clarity):

RQ 1: What is corporate purpose?

RQ 2: What are the main elements of director engagement with corporate purpose?

RQ 3: How does director engagement with corporate purpose unfold?

RQ 4: How do institutional investors contribute to director engagement with corporate purpose?

RQ 5: How can corporations, through director engagement with corporate purpose, create value for society as well as for investors?

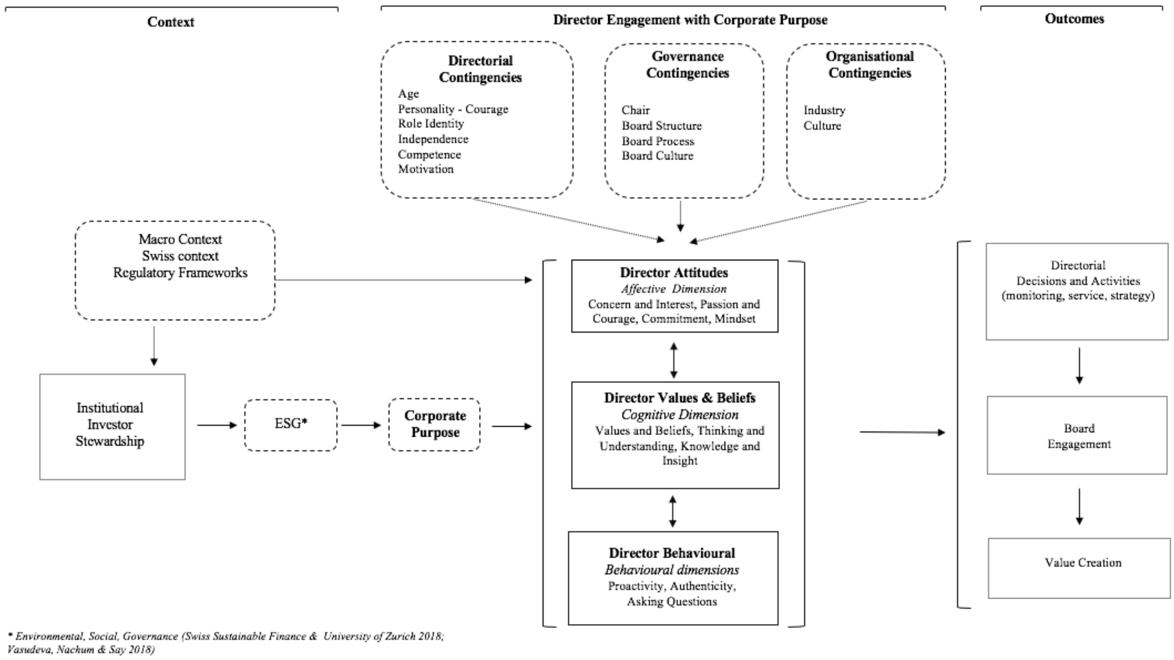
I made six main choices in answering these questions in the main study. These relate to corporate purpose, director engagement, ownership form, institutional investors and stewardship forms. I now present and justify these decisions.

Firstly, instead of assuming that corporate purpose is about sustainable value creation, I decided I would turn to the field and explore perceptions of purpose (question 1) and its main elements (question 2). Secondly, given that director engagement appeared to be potentially predicated on a continuum, rather than an engaged/disengaged dichotomy, it was critical to understand how it unfolds (question 3). Given that directors are not a homogeneous group, I chose to capture a variety of director types (which I will present in the section entitled *Data*

Collection). Thirdly, I chose to focus on listed corporations,[9] as they are the primary target of investor stewardship; they have disclosing obligations which include their dealings with investors; and their inclusion in the study potentially makes the findings more relevant to similar types of ownership structures in other jurisdictions. Fourthly, I focussed on investor activism in the form of investor engagement with ESG topics (question 4), as this is the form where dialogue between investors and directors had the greatest potential of influencing directors' engagement (thus excluding investors filing resolutions before an AGM and voting at an AGM). Fifthly, given that in this thesis I aim to offer an original contribution to knowledge in the area of directorial strategic cognition and advance the field of corporate governance, potential outcomes of director engagement are important. I reserved the last research question (question 5) to explore how director engagement can contribute to create value for society as well as investors. This question helps to reconcile the study with its original premise and macro context, as presented in the *Introduction* above. I reflected the choices described above in a more focussed framework within which to study director engagement (presented in Figure 5).

[9] I debated the alternative option of studying different types of ownership typical of the Swiss context, for instance cooperatives (*Genossenschaften*), such as SBB (the national railways), Migros or the Coop Group (the two largest retail chains in the country), or foundations (*Stiftungen*), such as Caritas, the Red Cross or the Swiss Army.

Figure 5 Adjusted Framework for Studying Director Engagement



The adjusted framework excludes *identification with shareholders* from directorial contingencies, as under Swiss law the fiduciary duty of directors is to the company, rather than its investors, (as detailed in *The Swiss Context* above). It further excludes *lifecycle* from organizational contingencies, as this would require the study of the evolution and revolution of the targeted corporations (Greiner 1998, 1998; Huse & Zattoni 2008). Under context, the framework includes *macro and Swiss context* and *regulatory frameworks*, alongside *institutional investor stewardship* exercised via engagement with investee companies and the integration of *ESG* factors in investment decisions. I also adjusted the framework to reflect different potential outcomes, i.e. potential outcomes of director engagement include directorial decisions and actions, engagement at board level and value creation, but exclude directorial *decision quality and speed* (as exploring these attributes of decision-making is outside the scope of this study), *board strategic responses to activism* (as this is not a study of boards as groups), and *economic outcomes* (such as fluctuations in stock price or profitability as these are outside the scope of this study). Equipped with the research questions and main lines of enquiry listed above, as well as the boundaries I set for this study, I entered the field to collect data for the main study.

Data Collection

Introduction

To develop a thorough understanding of director engagement with corporate purpose as well as for data triangulation purposes, I collected data from multiple sources, typical of case construction, namely interviews, participant observations and documents. Interviews constituted the main data sources, while observations and documents were key for data triangulation. Observations provided me with direct experience of directors and investors, while archival documents complemented the evidence I collected through primary sources. Table 2 presents an overview of data sources of this study and their use in the analysis. Fan and Zietsma (2017) informed the tabular representation of data sources.

Table 2 Data Sources and Use in the Analysis

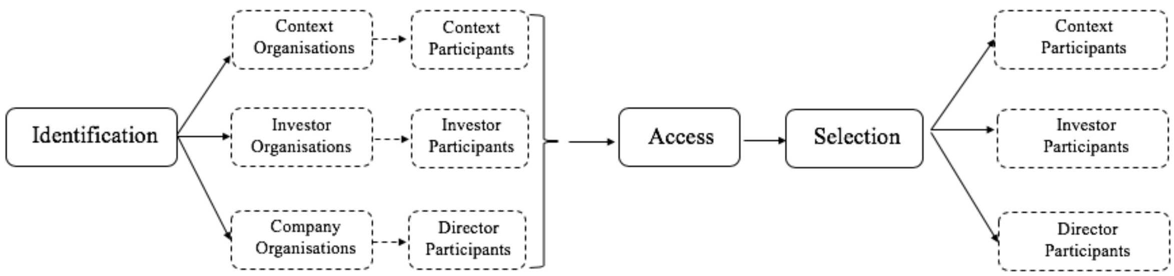
Data Source	Data Type	Use in the Analysis
Interviews	September 2018 - March 2019 38 interviews (from 30 to 97 minutes in length). Five off-the-record conversations at the end of interviews.	Collect detailed information on: 1) how is corporate purpose appreciated; 2) what are the dynamics of director engagement; 3) how do institutional investors contribute to director engagement with corporate purpose; 4) how corporations can create value for society as well as investors
Observations	February 2019 One investor-day event at one of the thirteen selected companies. Observation duration: five hours. One investor-director conference with multiple observations. Observation duration: three days.	Observe the interactions of directors and investors, how they relate to each other, the topics discussed and how they were discussed. Learn the issues important to both parties in these forums and the tensions that exist around institutional investors and director engagement. Identify inconsistencies and consistencies between participants. Develop an in-depth understanding of the case issues. Compare and triangulate with data from the interviews and documents.
Documents	September 2017- May 2019 *Public documents*: annual reports, sustainability reports, law and regulatory texts, codes of corporate governance, stewardship codes, industry reports, investor analyses, annual general assembly agendas and results, proxy recommendations. *Confidential documents*: investor presentations, Chair presentations, internal strategy documents (excerpts), governance practitioner articles authored by directors (pre-publication), ESG reviews shared with investors.	Develop detailed contextual understanding of institutional investors and director engagement. Compare and triangulate with data from the interviews and observations; compare and complement with field notes to identify themes, issues and patterns. Identify inconsistencies and consistencies between participants. Develop an in-depth understanding of the case issues.

Interviews can have potential bias and quality issues (Brinkmann & Kvale 2015; Parkhe 1993; Yin 2014), due to a combination of factors such as poor definition of questions, inaccuracy of recollection, poor quality of transcription, poor quality of interviewer, interruptions during the interview, reflexivity on the part of the interviewee who might say simply what the interviewer wants to hear, inappropriate location or malfunction of the recording device. As the interviewer, I was expected to be knowledgeable, structured, clear, sensitive, open and critical (Brinkmann & Kvale 2015; Flick 2014), even more so given the elite status of participants in this study. I took great care to develop and display these competences. Given the problems and limitations of interviews, and driven by my interest in reporting direct, first-hand accounts of the participants in action (Borneman & Hammoudi 2009; Schwandt 2015), I also carried out participant observations. I considered the appropriate time to negotiate access to observations not to be at the outset of the study, but rather as the research gained momentum and I built rapport and trust with the participants. I started to lay the foundations for access to observations in December 2018, and between February and March 2019 I conducted two observations which allowed me to immerse myself 'deeply into the processes themselves, collecting fine-grained data' (Langley 1999, p. 691). The interview-observation combination is a strength of case-study research (Tilba & McNulty 2012; Parkhe 1993; Yin 2014), and the opportunity to observe investors and directors interact on the topic of this thesis helped to deepen my understanding of how investors view director engagement, how valuable it is to them, what the issues are when they engage with investee companies, and how directors think, feel and behave on the topic of corporate purpose, what tensions exist and what the outcomes of engagement might be. Through this combination I aimed to improve the credibility and reliability of my data, enhance data trustworthiness (Shah & Corley 2006), and maximise the potential for epistemological data validity (Parkhe 1993), potentially leading to a more rigorous data analysis. The combination of interviews, observations and documents also supported me in the conclusions I eventually drew from this study (Stake 1995).

In the interest of clarity and rigour, when describing the data collection process it is considered important to elaborate on the researcher's position on the insider-outsider continuum (Aguinis & Solarino 2019), as this can affect the data collection in terms of accessibility and interpretation. In this study I positioned myself as both an *insider* and an *outsider* researcher (Evered & Louis 1981; Gioia & Chittipedi 1991). Given my professional background in executive management, and my short yet intense experience in the field of corporate governance, I considered myself an *insider*, yet I also remained an *outsider* with no pre-existing relationship with any participant. The insider perspective helped me to develop understanding and empathy for the tensions that emerged during the study around director engagement with corporate purpose. It also facilitated access, as participants learned through my support network and through contact with me that I was not 'just' a doctoral student but also a management and governance practitioner. Hence, I believe that the insider perspective contributed to the generation of rich data during this study. The outsider perspective played a role in the participants' perception of me as a neutral, 'academic' party carrying out a scientific enquiry, something a number of directors mentioned during the interviews, for instance when they openly yet confidentially shared with me names of people and companies in their examples, justifying their openness with the fact that 'you are an academic and not a competitor'. The outsider perspective also helped me to remain true to self-reflexivity and conduct a more objective data collection process and analysis, almost giving me the lens of a newcomer in a group of old-timers (Evered & Louis 1981). The combination of the insider-outsider perspective allowed me both proximity and detachment, subjectivity and objectivity, a dual role which I played throughout the study.

Data collection took place between February 2018 and March 2019 following a strategy infirmed by Stake (1995). This included the identification of potential participants (both organisations and individuals), addressing access issues, participant selection, the identification of potential meetings or gatherings I could observe, the collection of documents (including those giving access to confidential information), and the collection of data through these primary and secondary sources. To secure participants in this study I conceptualised and followed a three-step process, featuring participant *identification, access* and *selection*, although at times the phases ran in parallel. Figure 6 below offers a graphic representation of the phases. Since 'collectives do not act, only people do' (Rousseau 1985, cited in Bridoux & Stoelhorst 2016, p. 231), *identification* refers to the process of first pinpointing the organisations (namely context organisations, investors and companies), followed by individuals within those organisations. *Selection* refers to the process of converting identified individuals into selected participants.

Figure 6 Participant Identification and Selection Phases



Given the well-known difficulties of access in this type of scientific enquiry, I conceptualised *access* as an intermediary phase between identification and selection and referred to it as the process of gaining access to participants. An *identified* participant turned into a *selected* participant once I received a formal, written agreement to an interview and I had conducted the interview.

In designing this study, I remained mindful of the fact that my own presence in the field could 'create social behaviour in others that would not have occurred ordinarily' (Miles, Huberman & Saldaña 2014, p. 296). In an effort to minimise my effect on participants and the study setting, I carefully followed the recommendations of Miles, Huberman & Saldaña (2014). For interviews, I clearly outlined to participants the study scope and data collection processes, both in written form (in the *Interview Consent Form* and the *Interview Protocol*) and verbally, at the beginning of each interview. I also invited participants to be as direct and as frank as possible with me. Furthermore, I remained "unobtrusive" (Plowman et al. 2007, p. 522) during site visits. During observations, I tried to keep a low profile: I sat at the back of the room, asked no questions during meetings, did not use my recording device, turned off my mobile phone and only interacted with participants during breaks or at the end of the event. Given that the participants in this study were elite professionals, or well-articulated, well-informed participants in formal positions of authority, I faced the possibility of elite bias (Miles, Huberman & Saldaña 2014). To minimise this, I adopted tactics to test and confirm findings through multiple data sources (not only in terms of case organisations but also in terms of a minimum of two participants per company in the case of directors, the core group of participants) and data triangulation, which also enabled me to test for convergence (Parkhe 1993; Yin 2014).

In two companies I was only able to access one director; however, in all others I successfully accessed two directors per company. Furthermore, I was aware that participants might try to depict ‘a socially desirable image of themselves and their firms’ (Miller, Cardinal & Glick 1997, p. 190) and that, when recollecting the past, they might not be able to do so accurately, potentially leading me to false conclusions or inappropriate conceptualisations (Golden 1992; Wolfe & Jackson 1987). To counteract these problems, and to increase the accuracy of the reports, I followed the approach of Cardinal, Sitkin and Long (2004), Miller, Cardinal and Glick (1997) and Plowman et al. (2007). Firstly, participants had the freedom not to answer a question if they did not wish to do so, or had no experience of the topic of the question. Secondly, I asked the same set of questions to all participants (context, directors and investors). Thirdly, I complemented the interviews with observations and documentary analysis. In the next sections I describe the primary and secondary data sources of this study.

The rest of this section is organised in two parts: firstly I present an overview of primary data sources; the criteria adopted to identify participants; the process of participant identification; access issues I faced and how I overcame them; the process of participant selection; and how I negotiated two observations. Secondly, I present the secondary data sources.

Primary Data Sources

Between September 2018 and March 2019, I conducted a total of 38 interviews and two participant observations for the main study. Table 3 presents an overview of the primary data sources of this study.

Table 3 Overview of Primary Data Sources

<table>
<tr><th colspan="6">Interviews</th><th colspan="2">Observations</th></tr>
<tr><td>Interview Number
Total 38</td><td>Participant Group</td><td colspan="2">Interview Type</td><td colspan="2">Method of Data Capture</td><td>Observation Number
Total 2</td><td>Participant Group</td></tr>
<tr><td>9</td><td>Context</td><td colspan="2">Face-to-face</td><td colspan="2">Audio recordings</td><td></td><td>Directors and Investors</td></tr>
<tr><td>22</td><td>Directors</td><td>21 Face-to-face</td><td>1 By email</td><td>20 Audio recordings
1 Notes taken</td><td>1 Email</td><td>1</td><td rowspan="2">Directors and Investors</td></tr>
<tr><td>7</td><td>Investors</td><td>6 Face-to-face</td><td>1 By phone</td><td>6 Audio recording</td><td>1 Notes taken</td><td>1</td></tr>
</table>

All interviews and observations took place in English, except one interview with a chair who preferred to speak German (I will return to this point). In the following sections I present the two sets of primary data sources.

Interviews

I conducted 38 semi-structured, open-ended interviews in total, grouped by participant: directors, investors and ‘context’ participants. I wanted to complement the stories told by directors with those of their investors, and with a set of other participants whom I labelled as ‘context’ participants to gain a more in-depth understanding of each director case (Ma & Seidl 2018). This process generated nine face-to-face context interviews; 22 face-to-face director interviews (21 with board members of twelve of the thirteen selected companies, and one interview by email with the chair of Company E); seven investor interviews (six face- to-face and one by phone) with seven of the eight selected investing companies. For the remaining investor (Index Fund A) I carried out an observation (I will return to this point later). I interviewed one individual per investor organisation with the exception of one investor (Asset Manager) where I interviewed two individuals because in this organisation asset management and engagement activities are separate and led by two different individuals.

In the interviews I addressed the same topics with similar questions ‘to allow meaningful comparisons across interviewees’ (Hajro, Gibson & Pudelko 2017, p. 349). The interview guide included the *Interview Consent Form* and the *Interview Protocol* (presented in Appendices 5 and 6 respectively). The *Interview Protocol* had four sections: corporate purpose, director engagement with corporate purpose, institutional investors and going forward. The first three sections included two questions each, while the fourth section had only one question. Questions focussed on the nature of corporate purpose and the key governance mechanisms to support it, the dynamics of director engagement with purpose, the role of institutional investors in ensuring corporations can enact their purpose, how investors contributes to director engagement, and future developments with regard to directors and their engagement with purpose. The semi-structured nature of the interviews allowed me to probe comments I found interesting and emerging themes. To probe I asked, for instance, ‘Why do you think that investor X reacted in this way’, or ‘What did you learn from this experience?’, or ‘How has this event changed the way you look at corporate purpose?’ At the end of each interview I asked participants to share anything else they considered important or they wished to add. I concluded the interview by thanking them for their time and insights. Since all participants were elite professionals and I had researched their careers and their organisations, I did not enquire about their background, role or relationship to the organisation, as this information is public and part of my preparation ahead of each interview.

Given the complexity of the phenomenon I was studying, I wanted to zoom into director engagement by starting with context interviews, examining the setting or background of the study, followed by director and investor interviews which ran in parallel. Investor interviews helped me to capture rich accounts beyond those of the directors themselves and to build a full rather than a partial story. Since research based only on participants’ own accounts may lack independent verification (Machold & Farquhar 2013; Peck 1995) and be biased, I wanted to capture investor perspectives on director engagement with corporate purpose, or the other side of the director stories. I regarded interviews as ‘communicative events’ (Yeung 2009), rather than ‘interrogations’, a term one chair jokingly used. I reassured him that I was rather looking forward to an interesting discussion, given his background, experience and reputation. I considered interviews an opportunity to engage in an active exchange of information and views, although I made conscious efforts to limit my own views and give ample space to those of the participants. Nonetheless, there were times when an interview turned into a passionate discussion, particularly around possible motives behind institutional investor engagement with boards (an indication that heterogeneity of investors aims and claims could become a case issue) or the aims and claims of the Responsible Business

Initiative (confirming that it represented a key concern for the participant directors). I gave the interviewee free rein on what to say or not to say, mindful of my ethical responsibility towards them and of the privileged position I held as interviewer. I felt honoured by the time participants dedicated to me and to this study, and by the information they shared with me. I constantly felt my responsibility as researcher to guarantee the anonymity of participants and the confidentiality of the information shared. I also felt the responsibility of being a guest in their environment, ensuring I did not disturb their surroundings. My duty of care also came to life, for instance, while travelling, as I noticed I would take greater care of the audio recording device and signed informed consent forms than of my own passport. This care manifested itself too in the weekly back-ups I executed for all files, ensuring I backed up research material in different hard drives and cyber spaces which I password protected, changing the password every month.

Interviews lasted on average 50 minutes, (with the shortest 30 minutes and the longest 97 minutes), for a total of 2093 minutes (35 hours) of interview recordings. I audio recorded 36 of the 38 interviews. I took notes of one director interview (company B) and one investor interview (SWF Europe), as permission to audio record had not been granted, while one director (chair of company E) participated via email. Immediately after each interview I wrote down in my journal notes, words, peculiarities that came to mind from my still fresh memory. What I observed, and was exposed to, during this study is inseparable from the field-notes I wrote in my journal. Field-notes offered an essential grounding to this study and captured the skeleton of the chain of events as they unfolded, helping me to log my impressions, identify issues, and to follow up surprises and my own questions or hunches. I wrote field-notes by hand, as the act of writing with pen on paper gave me time to re-live moments experienced in the field, and to reflect on what I was capturing. At times I also made voice recordings on my iPhone to capture a new action item or idea that came to mind, which I would then write down in my journal as soon as possible. Most interviews took place in Switzerland, between Geneva, Zürich, Basel and Bern, typically at the participant's office or private conference room. One director interview took place in Germany, one investor interview in the UK, and two interviews (one director and one context interview) took place in cafés as an office location was not available.

I transcribed all but a few interviews within a maximum of 48 hours, to ensure my memory was still vivid, and when not within this window, very soon afterwards. I am a visual person, able to retain the tiniest of details about people, conversations and events, and this visual memory allows me to re-live the events that have taken place. Although I found transcribing tedious, I had promised participants that I would personally transcribe the interview, given the confidentiality of the information they shared and my duty to protect their anonymity, and this undertaking was appreciated by participants. This approach also proved to be a formidable tool for my memory. Through transcription, word by word, line by line, I could vividly recall details of conversations, whether there were any interruptions (none), the tone of voice of the interviewee and any information they shared with me off the record, as some did (I will return to 'off the record information' in the section entitled *Unexpected Opportunities*). As previously mentioned, one interview took place in German. In this case I not only transcribed the recording into German, but also translated it into English and back into German to ensure accuracy. This process took five full days as the interviewee spoke German with a Swiss accent, which presented some challenges where I had to double-check the meaning of specific words or expressions.

Participant Identification

In case studies, ‘random selection is neither necessary, nor even preferable’ (Eisenhardt 1989b, p. 537). Given the business elite status of potential participants, to identify (and subsequently select) case participants I adopted a combination of theoretical sampling (Eisenhardt 1989b; Eisenhardt & Graebner 2007; Pratt 2009; Shah & Corley 2006) and convenience sampling (Bezemer et al. 2012; Eisenhardt 1989b; Leblanc & Schwartz 2007; McNulty & Pettigrew 1999). As noted by McNulty & Pettigrew 1999, ‘for this study it was not practical to select respondents randomly’ as my aim was to identify, access and select participants who could best help to elucidate the phenomenon of director engagement with purpose. The choice of participants had to be based not only on the uniqueness of each case or participant, but also on their potential to contribute answers to the research questions and the development of novel insights into strategic cognition. I focussed on organisations and actors who could best inform the case issues, the research questions and the development of the conceptual framework. By following Eisenhardt and Graebner (2007), who recommend the choice of extreme cases, and Pettigrew (1990) who refers to them as ‘polar types’ (p. 275), I recognised that if I was interested in understanding how institutional investors contribute to director engagement with purpose, I needed to select participants who best illustrate how engagement might occur, thus investors and directors as they represent two sides of the engagement story. I also needed to select participants offering variety in terms of companies, industries, directors, investors, background etc. Furthermore, aiming for extreme cases is deemed ideal for building theory (Pratt 2009, p. 859), an important point given that in this thesis I strived to offer an original contribution to knowledge in the field of strategic cognition. For theoretical sampling I adopted a set of criteria, namely *context*, *company*, *director* and *investor* criteria, which guided this part of the sampling process. Table 4 below presents an overview of participant identification criteria.

Table 4 Overview of Participant Identification Criteria

<table>
<tr><th>Participant</th><th colspan="3">Identification Criteria</th></tr>
<tr><td>Context Organisations</td><td colspan="3">Institutions; Media and Public Opinion Specialists; ESG and Sustainability Specialists; Activists</td></tr>
<tr><td rowspan="21">Companies</td><td>Company Type</td><td colspan="2">Blue-chips (SMI Index); Mid-cap (SMIM index)</td></tr>
<tr><td>Ownership</td><td colspan="2">Dispersed; Concentrated</td></tr>
<tr><td rowspan="19">Industry</td><td>Industry</td><td>Supersector</td></tr>
<tr><td>Oil and Gas</td><td>Oil and Gas</td></tr>
<tr><td rowspan="2">Basic Materials</td><td>Chemicals</td></tr>
<tr><td>Basic Resources</td></tr>
<tr><td rowspan="2">Industrials</td><td>Construction and Materials</td></tr>
<tr><td>Industrial Goods and Services</td></tr>
<tr><td rowspan="3">Consumer Goods</td><td>Automobile Parts</td></tr>
<tr><td>Food and Beverage</td></tr>
<tr><td>Personal and Household Goods</td></tr>
<tr><td>Health Care</td><td>Health Care</td></tr>
<tr><td rowspan="3">Consumer Services</td><td>Retails</td></tr>
<tr><td>Media</td></tr>
<tr><td>Travel and Leisure</td></tr>
<tr><td>Telecommunications</td><td>Telecommunications</td></tr>
<tr><td>Utilities</td><td>Utilities</td></tr>
<tr><td rowspan="3">Financials</td><td>Banks</td></tr>
<tr><td>Insurance</td></tr>
<tr><td>Financial Services</td></tr>
<tr><td>Technology</td><td>Technology</td></tr>
<tr><td rowspan="9">Directors</td><td rowspan="4">Director Type</td><td colspan="2">Insiders</td></tr>
<tr><td rowspan="3">Outsiders</td><td>Business Experts</td></tr>
<tr><td>Support Specialists</td></tr>
<tr><td>Community Influentials</td></tr>
<tr><td>Educational Background</td><td colspan="2">Business Administration, Economics, Law, Finance/Accounting, Others</td></tr>
<tr><td>Professional Background</td><td colspan="2">CEO, CFO, Chair, General Counsel, Academic</td></tr>
<tr><td>Independence</td><td colspan="2">Structural independence</td></tr>
<tr><td>Age</td><td colspan="2">40-50; 51-60; 61-70</td></tr>
<tr><td>Gender</td><td colspan="2">Male; Female</td></tr>
<tr><td rowspan="2">Investors</td><td rowspan="2">Investor Type</td><td colspan="2">Mutual funds, hedge funds, index funds, SWFs, asset managers, financial intermediaries.</td></tr>
<tr><td colspan="2">Relational</td></tr>
</table>

In the following sections I elaborate on each set of criteria.

Concerning context criteria, I was interested in identifying a group of individuals who could offer their perspectives on the context within which directors and investors operate, and I categorised them as context participants. Listed corporations, their boards and directors generally draw institutional interest, intense scrutiny from regulators, and attention from society and the media (Long, Dulewicz & Gay 2005, p. 667). Hence I identified context participants with the aim of interviewing individuals who could help me better understand the Swiss context and the variety of issues that fall under the heading of 'ESG'. This set of criteria followed the perspectives I was interested in capturing: the view of institutions (to investigate the role and perspectives of the federal government and other institutions); the media and public opinion specialists (to understand public opinion); ESG and sustainability specialists (to better understand ESG issues and sustainability) and activists (given that Switzerland is a direct democracy and popular initiatives are a tool used to bring about policy changes in a variety of fields, including that of listed corporations).

With respect to company criteria, I adopted *company type, ownership* and *industry* to identify companies. In this study I chose to examine director engagement with corporate purpose in the context of large, listed companies, as the literature review indicated that they are the type of corporations expected to contribute the most to solving society's pressing challenges, and that the listed environment might present a specific set of challenges to director engagement. *Company type* refers to the Swiss Market Index (SMI) family of SIX, the Swiss stock exchange, and includes the two index families which represent the largest stocks in the Swiss equity market. The SMI family encompasses the blue-chip index (Swiss Market Index - SMI) and the mid-cap index (Swiss Market Index Mid-Cap - SMIM) by revenue and market capitalisation. The SMI index 'comprises the 50 largest and most liquid stocks in the Swiss equity market' (SIX Swiss Exchange 2018a, p. 1). As of 30th October 2018, the SMI index featured 20 corporations and the SMIM index 30 companies (SIX Swiss Exchange 2018a). In the interests of transparency, I note that a third index of the SMI Family, the SMI Expanded Index, represents the consolidation of the other two indexes, hence I considered it not relevant to this study. In essence, through *company type* I focussed on identifying blue-chip and mid-cap corporations as a varied representation of Swiss listed companies. While offering variety, this criterion also allowed for comparisons within the same index family. Although I was interested in identifying a core group of blue chip companies, I also wanted to examine a few mid-cap companies to understand if there were any differences in director engagement with corporate purpose between the two. I was also interested in identifying which SMI companies featured in the *Fortune 500 Global* 2018 (and the 2019 edition once it became available). I used the Fortune listing as it has been adopted in other studies that focussed on large, high-profile companies (Amini, Bienstock & Narcum 2018; Muller & Kräussl 2010; Muller & Whiteman 2009; Patten 2007; Peterson & Philpot 2006) with the highest global annual turnover (Manetti & Becatti 2008). I selected the Global 500 version, as opposed to the US Fortune 500, as it covers non-US companies.

Ownership, the second company criteria, refers to a company's ownership structure as opposed to national and institutional regulations of company ownership (Aguilera 2005), which map out the regulatory environment within which listed companies operate. I adopted the dichotomy distinguishing the ownership of listed corporations as *concentrated* or *dispersed* (Gilson 2006; La Porta et al. 1998, 2000). *Concentrated* ownership refers to companies where 'other firms, financial institutions, families or the state hold major blocks of the company's shares' (Siems 2018, p. 233), however the definition fails to specify what is meant by ‘major’ blocks of shares. Studies refer to ‘large’ or ‘major’ block-holders as those owning above 5% of shares (Cronqvist & Fahlenbrach 2009; Zeitoun & Pamini 2015), although this might not necessarily equate to the same percentage of voting rights, as companies can issue dual class shares, as opposed to one-share-one-vote structures (Adams & Ferreira 2008; Kim & Michaely 2019). Given that Swiss listed companies have various degrees of relational and transactional shareholders (Zeitoun & Pamini 2015), for the purpose of this study, concentrated ownership refers to the ownership of blocks of shares above 50% of voting rights, as this threshold allows the shareholder(s) to a maintain a majority voting grip on the company. Companies not classified as under concentrated ownership are here regarded as *dispersed*. I aimed to identify as many corporations with dispersed ownership as possible (as this type of ownership appears to be the most difficult for engagement with corporate purpose, as companies have a heterogeneous shareholder body and often do not know who their investors are), and a few representatives of concentrated ownership, as I was also interested in examining how this type of ownership, which is often considered more conducive to corporate purpose, might affect director engagement. Although a new classification of ownership is beyond the scope of this thesis, in the interest of rigour and transparency I note that the dispersed/concentrated dichotomy has also been found to be ‘too coarse to allow a deeper understanding of the diversity of ownership structures’ **(**Gilson 2006, p. 1642), an indication that a more nuanced labelling of ownership types would be beneficial to studies in corporate governance.

The third criterion, *industry*, is one of the key contingencies affecting corporate governance (Zahra & Pierce 1989) and industry-level factors need to be considered to develop an in-depth understanding of corporate governance mechanisms (Judge 2011), such as director engagement with purpose. Directors are responsible for screening the company’s industry environment and anticipating and assessing industry changes (Galbraith 1973; Zahra 1996, p. 1718) as a key element of their fiduciary duty to protect the interests of the company. Furthermore, experience of misconduct in certain industries might shape their engagement with corporate purpose differently, as the case of the commodity-based industry of palm oil indicates (Nesadurai 2017). Through the selection of different industries, I aimed to increase variety and data validity (Haak-Saheem, Festing & Darwish 2017) and to control for environmental variations (Eisenhardt 1989). Every company listed on SIX is classified according to the Industry Classification Benchmark (ICB) (SIX Swiss Exchange 2018b). The ICB is a globally recognized standard for categorising corporations and securities across four classification levels: industry, supersector, subsector and sector (FTSE Russel 2018). I focussed on the first two levels, industry and supersector, as the other two are not relevant to SIX (SIX Swiss Exchange 2018b). Each SIX listed company is allocated to the *industry* and *subsector* that most closely represent the nature of its business as determined by its primary source of revenue and other publicly available information (SIX Swiss Exchange 2018e). Table 5 below presents an overview of the SIX industry classification which features ten industries and 18 supersectors.

Table 5 SIX Industries and Subsectors

Industry	Supersector
Oil and Gas	Oil and Gas
Basic Materials	Chemicals
	Basic Resources
Industrials	Construction and Materials
	Industrial Goods and Services
Consumer Goods	Automobile Parts
	Food and Beverage
	Personal and Household Goods
Health Care	Health Care
Consumer Services	Retails
	Media
	Travel and Leisure
Telecommunications	Telecommunications
Utilities	Utilities
Financials	Banks
	Insurance
	Financial Services
Technology	Technology

Source: Author elaboration on data from SIX Swiss Exchange (2018e).

Concerning directors, I adopted the following set of identification criteria: *director type*, *educational background*, *professional background*, *independence*, *age* and *gender*.

Director Type

Given that directors are not a homogeneous group, I adopted the director taxonomy proposed by Hillman, Cannella and Paetzold (2000), who build on the *insider/outsider* typology (Pfeffer 1972). I considered this taxonomy best suited to reflect the variety of director types, and to support the examination of individual variances in engagement with purpose. Table 6 presents the typology in detail.

Table 6 Director Typology

Typology		**Expertise**	**Examples**
Insiders		Expertise of the company	Current or former executives (employees)
Outsiders	*Business Experts*	General management of large corporations	Former and current directors of other large corporations.
	Support Specialists	Special experts in specific areas such as law, public relations, banking	Lawyers, bankers, PR experts
	Community Influentials[10]	Provision of non-business expertise on issues	Academics, politicians, clergy members, community or social leaders

Source: Hillman, Cannella & Paetzold (2000)

The typology features *insiders* (current or former employees or executives of the company) and *outsiders* (those who are not current or former employees or executives of the company), the latter also being known as independent, non-executive directors. In turn, *outsiders* are subdivided into *business experts*, *support specialists* and *community influential*, a taxonomy most useful to this study. *Business experts* are former and current directors of other large

[10] In this thesis I use the term ‘influentials’ as proposed by Hillman, Cannella & Paetzold (2000) (rather than ‘influencers’).

corporations with expertise in the general management of corporations, *support specialists* refer to experts in areas such as law, public relations, banking etc., without general management expertise, and *community influentials* are providers of non-business perspectives on issues, for instance leaders in politics, academics, members of clergy or leaders of community or social organisations. This typology is relevant to the extent it might help elucidate variations of director engagement.

In the interest of clarity, a reference needs to be made to the term *non-executive director* (NED), commonly used in governance research and practice. McNulty and Pettigrew (1999) refer to *executive* and *non-executive* directors, emphasising the inside or full-time nature (executive) and the outside or part-time nature (non-executive) of each type. In more general terms, a NED can be an *insider* (former executive) and *outsider*. In governance, the terms reflect the non-executive nature of a director's work, rather than the full or part-time nature of the role itself.

Educational Background

To identify directors, I reviewed their educational background. I constructed five educational background categories: *business administration, economics, law*, *finance/accounting* and *other*, which includes, for instance, engineering, pharmacy or architecture.

Professional Background

Professional background refers to a director's professional training (Van der Walt & Ingley 2003) or business experience (Gantenberg & Volonté 2011). Elements of professional background are already included in *director type* (for instance, business expert refers to directors with general management experience, typically at C-level). However, in the interest of clarity, I chose director criteria specifically designed to outline their professional background as disclosed in company websites. I did not construct specific background categories, preferring to identify from the data sources the professional background listed for each director, and expecting to find CEOs, CFOs, chairs, legal counsels etc.

Independence

Director *independence* is a much debated concept and its definition varies by country, and between regulation and corporate governance codes (Aguilera 2005). Independence has been defined variously as ‘the ability, as an outside director, to see things differently’ or as preserving ‘an independence of mind and the confidence to exercise it in boardroom discussions’ (Roberts, McNulty & Stiles 2005, p. S16). Daily and Dalton (1994a, 1994b, 1995) take a different view and refer to independent directors as those appointed to a board prior to the incumbent’s CEO’s appointment. I turned to the Swiss Corporate Governance Code (Economiesuisse 2014) in search of clarity, yet I remained puzzled. Section 12 recommends that the board of directors ‘should have the necessary abilities to ensure an independent decision-making process’ (p.10), while section 14 defines independent board members as ‘non-executive members of the Board of Directors who have never been a member of the Executive Board, or were members thereof more than three years ago, and who have no or comparatively minor business relations with the company’ (p. 11). Unfortunately, the code does not elaborate on what exactly is meant by ‘minor’ business relationships. Hence, I turned to the Annex of the Swiss Stock Exchange Directive Corporate Governance (SIX 2018). Paragraph 3.1 c) sets out that the board should disclose whether a director has been a member of the company’s management or of one of its subsidiaries ‘in the three financial years preceding the period under review' (p.6) and whether a director has significant business connections with the companies or one of its subsidiaries. The principle 'comply or explain' applies to these provisions which represent the only reference to *independence* in the SIX directive. Looking outside Switzerland, I found a similar yet more specific set of independence criteria in the UK Corporate Governance Code issued by the Financial Reporting Council (FRC 2018) and the German Corporate Governance Code (Regierungskommission 2017). These codes require the board to identify in the company's annual report those non-executive directors considered as independent, and offer examples of circumstances undermining independence, such as being a former employee, having close family ties with the company, having served on the board for many years or representing a significant shareholder. Notwithstanding the varied definitions, there seems to be a core appreciation of independence as a structural attribute (for instance vis-a vis the CEO or shareholders), although scholars have noted an increasing perception of independence as a state of mind or a predisposition towards decision-making. Hence, in this study, I regard *independence* as *structural independence,* as independence as a state of mind would have required a different approach. *Independent* directors are those disclosed as such on company websites and/or in the 2018 Annual Reports.

Age

The Spencer Stuart Board Index is an annual publication on aspects of board governance in major listed corporations throughout the world. According to the Switzerland Board Index (Spencer Stuart 2017), the average age of non-executive directors in SMI companies is 61.2 years, this figure having remained unchanged since 2012. The report notes that 'alongside Germany, it is the highest in Europe' (p. 17). The Swiss Code of Obligations or

Obligationenrecht (also known as ‘OR’) (Federal Council 2017a), forms part of the Swiss Civil Code and mandates, among others, duties and responsibilities of boards of directors. The OR does not set an age limit for directors to serve on the boards of listed companies. It is, however, usual practice among Swiss boards to define the age limit for their members in the articles of association. The articles of association published by the 22 companies I shortlisted (which I will present later in this section) indicate that normally the age limit is set between 67-70 years. Hence I set three director age groups with the aim of identifying participants across all of them in the interests of variety: 40-50, 51-60 and 61-70.

Gender

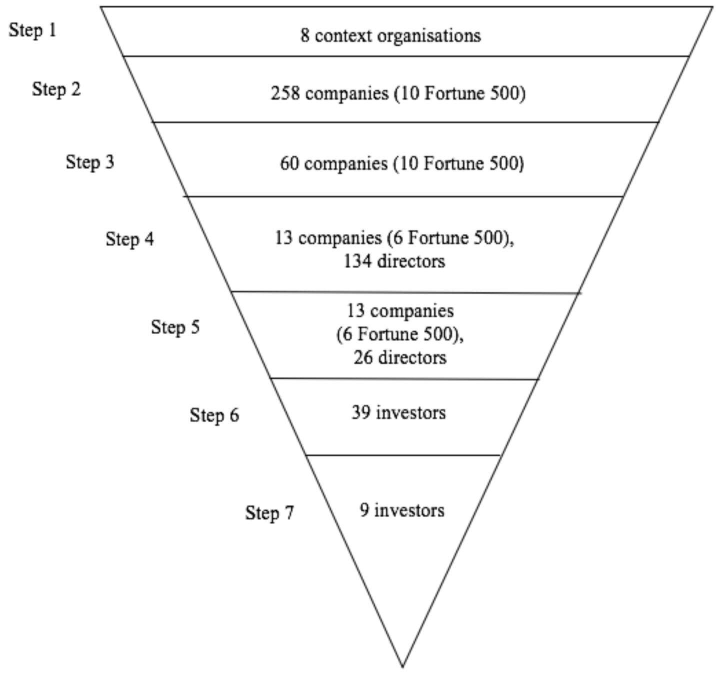
Since I aimed for variety in my selected participants, a balanced representation of male and female directors was my goal. The Swiss Code of Best Practice for Corporate Governance (Economiesuisse 2014) recommends that company boards ‘should be comprised of male and female members’ (p.10). Unlike Norway, which in 2003 became the first country in the world to impose a gender quota by law, Switzerland does not have mandatory female quotas on boards. However, on 14 June 2018, the Swiss Parliament voted for gender quotas in the boardrooms of the largest listed companies, adopting a comply or explain approach for those who fail to have women representing 30% of the board of directors and 20% of the executive board in the next five and ten years respectively (Foster 2018).

Having introduced director criteria, in the interest of research transparency I need to add a corollary concerning director *nationality.* I never intended to focus on Swiss directors, as I recognised that this would entail a number of limitations, but access challenges meant that my support network had stronger relationships with directors who are Swiss nationals (albeit some hold dual nationality). Furthermore, since I had to keep to a budget, I also had to prioritise participants who were in Switzerland or neighbouring countries at the time of my Swiss temporary residence. Although the proportion of foreign directors in SIX SMI companies is 61% (Spencer Stuart 2017), one of the highest in Europe and an indication of high diversity, most foreign board members do not reside locally; rather they tend to visit Switzerland on the occasion of board meetings. Given that board meetings usually have busy agendas typically followed by private dinners or other board engagements, I regarded my chances of accessing foreign board members as very low. This assumption, combined with the mainly Swiss outreach of my support network, meant that I chose to focus on directors who were Swiss nationals, aiming to include a few members with double nationality if possible.

With regard to *investor* criteria, shareholders are a heterogeneous group and research shows a growing interest in their variety (Connelly et al. 2010; ECGI 2019; Ravasi & Zattoni 2006; Zattoni 2011). The literature review indicated that institutional investors increasingly engage in corporate governance activities (Goyer & Jung 2011), and that a significant change in institutional investor behaviour is taking place, as investors progressively engage with boards in a much more active way if they believe that it will increase company value (Cundill, Smart & Wilson 2018; McNulty & Nordberg 2016; Rock 2018; Semenova & Hassel 2019; Swiss Sustainable Finance 2018). Consequently, to identify investors in the companies selected, I adopted the criterion of *investor type,* complemented by the notion of 'significant shareholder'. According to the Organisation for Economic Cooperation and Development (OECD), institutional investors are a type of shareholder and include several investor types such as pension funds, insurance companies, mutual funds, hedge funds, index funds (such as the big three BlackRock, Vanguard and State Street), SWFs, various types of asset manager and a variety of financial intermediaries (OECD 2011). In the age of intermediated finance these investor types represent the professionalisation of the investment function or the ‘money managers’ (Rock 2018, p.364). This definition of an investor type excludes families and the state (as long as they invest directly in a company rather than through institutional investors). The literature distinguishes between *relational* and *transactional* shareholders (David et al. 2010; Zeitoun & Pamini 2015). *Relational* shareholders are those committed to the long term interests of the corporation; they rarely sell their shares, nurture close relationships with the board, and may trigger company-specific investments by stakeholders (Aguilera & Jackson 2003; David et al. 2010; Goyer & Jung, 2011; Klein, Crawford & Alchian 1978; Rajan & Zingales 1998). Relational shareholders have also been associated with the concept of universal ownership (Monks & Minow 1995) relating to investors interested ‘in long term performance of the economy for the benefit of society as a whole’ (McNulty & Nordberg 2016, p. 347). In contrast, *transactional* investors, often referred to as traders, lack a long-term outlook and relational ties with the investee companies, and are mainly interested in their investments’ financial returns in the short term (Zeitoun & Pamini 2015). Relational owners are also often described as ‘blockholders’ as they hold blocks or a significant number of shares and voting rights in a given company, typically above five percent (Anderson, Mansi & Reeb 2003; Edmans 2014; Schleifer & Vishny 1986; Zeitoun & Pamini 2015). Transactional owners, on the other hand, have been described as a particular type of external blockholder (Cronqvist & Fahlenbrach 2009; Shleifer & Vishny 1986), for instance hedge funds which have been found to be advocates of maximising shareholder value (Anderson, Maansi & Reeb 2003). Consequently, for the purpose of this study I chose to focus on relational investor types, as this category is best suited to examine how investors contribute to and perceive director engagement with corporate purpose in their investee companies. I recognise that this choice might have introduced a bias in investor selection and may have resulted in a certain portrayal of the role of institutional investors in director engagement, however I regarded relational investors as best suited to examine the influence and focus of institutional investors on director engagement and I acknowledge this decision as an important limitation of this study (I will elaborate on this point in the chapter entitled *Conclusion, Limitations and Future Research Directions*). In particular, I set out to identify among relational investor types those for whom I could find evidence of relational attributes in the form of evidence of engagement with investee companies (I will return to this point). Having clarified what is meant in this study by relational investor type, in the interest of transparency I need to dwell on the notion of *significant shareholder*, which SIX does not clearly define. SIX regulations set a reporting obligation on the part of listed companies to declare their ‘significant’ shareholders, to the extent that they are known as of December in each calendar year (SIX Swiss Exchange 2018d), although the term ‘significant’ remains unclear. The regulation refers to the Financial Market Infrastructure Act for details (SIX Swiss Exchange 2018). Article 120 of the Financial Market Infrastructure Act (Federal Council 2019) sets out ‘notification duties’ for any entity which acquires or disposes of shares in SIX listed companies, falling below or exceeding the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the voting rights. The notification has to be made to the investee company and to SIX. Hence, given that in the Swiss equity market shareholder significance might relate to both majority and minority ownership, in this study a *significant shareholder* is one who is invested in a SIX company below or above the defined thresholds, as disclosed in the company website and/or annual reports and/or the SIX website. At times I found discrepancies between the significant shareholder information disclosed on the SIX website and that on company websites and annual reports (there is a note on the SIX site inviting users to notify the stock exchange if information needs updating). In these cases I complemented the SIX information with data published on http://marketscreener.com, a financial big data specialist portal operated by French Superperformance SAS.

Having presented the criteria adopted for participant identification, I now outline the process I followed to identify context organisations, companies and directors, and investors. In this process, I complemented the above described theoretical sampling approach with convenience sampling, which allowed me to arrive to a list of identified participants I could access via my support network. I proceeded in seven steps. Figure 7 presents the participant identification process.

Figure 7 Participant Identification and Selection Process



Step 1. I identified eight context organisations, from which eventually to pinpoint individuals who could offer insights from the *institutional*, *media* and *public opinion*, *ESG and sustainability*, and *activist* perspectives. I identified six of the eight context organisations directly, without the help of my support network, through researching company reports and press releases, and a multitude of other reports, such as Economiesuisse (2002; 2008; 2014), Federal Council (2016b; 2017a; 2017b), ICGN (2016), OECD (2011; 2018), Swiss Confederation (2018) and Swiss Sustainable Finance (2017, 2018). The identified context participants were: a public opinion research institute, two newspapers, two ESG and sustainability specialists, and one activist. Within each context organisation I then identified individuals who occupied positions of authority, often the highest ranked decision-makers within their organisation, as I was interested in those people who might deal with companies and investors at the highest levels: Editor or Editor-in-Chief, CEO, Partner/Managing Partner and senior advisors. I aimed for one individual per context organisation as these potential primary data sources would complement extensive document analysis. One ESG and sustainability specialist organisation represented an exception as I identified two individuals: the CEO, and a Senior Advisor who had been recruited a few months before and who possessed an educational and professional background in sustainability, hence my interest in capturing her perspective in addition to that of the CEO. As for institutional organisations, my support network introduced me to a State Secretary of the Swiss Federal Government responsible for trade and economic development. In turn, the State Secretary (upon completion of the interview, on which I will elaborate later in this section), introduced me to the chair of the working group for Responsible Business of a global intergovernmental organisation. Table 7 presents the identified context participants.

Table 7 Identified Participants - Context

Organisation	Participant Role	Activity Area
Research Institute	Managing Partner	Public opinion surveys
Management Consultancy	Partner	Advisory services in the areas of ESG, sustainable development, UN Global Compact
ESG Consultancy	CEO	ESG risk exposure
	Senior Advisor	
Activist Movement	Committee Member	Activism
Daily newspaper	Business Editor	Political & economic news and analysis
Weekly newspaper	Editor-in-Chief	Political & economic news and analysis
Swiss Federal Government	State Secretary	Trade and Economic Development
Intergovernmental Economic Organisation	Chair of Working Group	Responsible Business

Step 2. I identified and mapped out the full list of blue-chip and mid-cap companies listed on SIX as of 31 October 2018 (SIX Swiss Exchange 2018c). The list featured 258 corporations. SIX does not offer a pre-set, downloadable list of companies, thus the user needs to build the list by selecting a number of attributes from a drop-down menu (for instance primary listing, accounting rules, date of the next AGM etc.). I also confirmed the number of listed companies directly with SIX by approaching their Data Analytics team via email and was provided with a confirmation within 48 hours. In addition, I downloaded the *Fortune 500 Global* 2018 list (Fortune 2018), the annual ranking of the largest non-US 500 corporations by revenue, as I was interested in verifying which Swiss listed companies it featured. The *Fortune 500 Global* list included 14 Swiss corporations, two of which are cooperatives

(*Genossenschaften),* ‘membership-based organisations owned by their users’ (Birchall 2004, p. 5). Although the first cooperatives were set up in Switzerland in the 1860s, with deep roots in the Swiss psyche and now include some of the largest Swiss organisations, I excluded them from the list as the focus of this thesis is listed corporations. I also cross-checked whether the remaining twelve *Fortune 500 Global* corporations featured in the *SIX List of Companies* and discovered that two did not. According to their websites, these two companies are headquartered in Switzerland but are listed abroad, resulting in ten *Fortune 500 Global* Swiss companies of interest to this study.

Step 3. I screened the list of 258 corporations and identified those I could potentially approach through my support network. Access and the quality of access were the key criteria in this step, as I started to complement theoretical sampling with convenience sampling. I recognise that these criteria are subjective in nature and that convenience sampling might have introduced a bias in the selection of cases, however I would argue that such concern is not considered as critical in this type of qualitative research (Leblanc & Schwartz 2007; Plowman et al. 2007; Schwandt 2017), as long as the researcher recognises it, makes it transparent and acknowledges it as an important limitation of the study (I will elaborate on this and other limitations in the chapter entitled *Conclusion, Limitations and Future Research Directions*). Thus, I regarded the avenue of access and convenience sampling worth taking in order to overcome the access constraints. Most importantly, my support network offered to help me identify companies with whose directors they had ongoing relationships based on trust rather than sporadic contact. Through this avenue, I identified a sub-set of 60 companies (ten of which are *Fortune 500 Global* corporations), representing a variety of industries and two types of company.

Step 4. I discussed the list of 60 companies with my support network in two separate, face-to-face meetings, aiming to identify a varied representation of company types, industries, and (mostly) dispersed ownership (with a few representing concentrated ownership), and where the likelihood of accessing directors was high. 'High' likelihood referred to directors with whom one or more members of my support network had built relationships of trust and whom they felt comfortable approaching on my behalf for the purpose of this study. The identified subset included thirteen companies, of whom six were listed on *Fortune 500 Global*. After examining the characteristics of these companies, I decided that they offered enough diversity as they reflected the company criteria I set and would ensure a representative set of participants. Table 8 provides an overview of the identified companies. In 2018, a total of 134 directors served on the boards of the thirteen companies, as per information disclosed on company websites (I will elaborate on directors in step 7).

Table 8 Identified Participants - Companies

	Company Type	Ownership	Industry
1	SMI Fortune 500	Dispersed	Industrials
2	SMI Fortune 500	Dispersed	Industrials
3	SMI Fortune 500	Dispersed	Consumer Goods
4	SMI Fortune 500	Dispersed	Financials
5	SMI Fortune 500	Dispersed	Financials
6	SMI Fortune 500	Dispersed	Financials
7	SMI	Dispersed	Healthcare
8	SMI	Dispersed	Basic Materials
9	SMI	Dispersed	Financials
10	SMI	Concentrated	Telecommunications
11	SMIM	Concentrated	Industrials
12	SMIM	Dispersed	Telecommunications
13	SMIM	Dispersed	Healthcare

*Step 5.*In this step I set about identifying a core group of directors out of the total of 123 board members of the 13 companies. I aimed to choose a minimum of two directors per company, to help increase the credibility and trustworthiness of this study through multiple, primary data sources. As in the previous steps, I aimed to maximise variety (Pettigrew 1990), in terms of insights directors might offer into their cognitive processes of knowing and understanding corporate purpose. I applied the adopted director criteria, intending to identify directors who had been elected or re-elected at the company’s 2018 annual general meeting (under Swiss law directors must stand for re-election every year). Using company websites as data sources, I created a provisional shortlist of all members of the boards of the thirteen companies. Subsequently, I discussed individual names with my support network in three face-to-face meetings, aiming to shortlist 26 directors (two per company) to whom access

was considered highly likely. These meetings proved crucial, as my support network entrusted me with confidential information on each director, helping me to build a broader picture of each individual's potential insights into director engagement and institutional investors. Given the confidential nature of such 'complementary' information on directors, I was not able to verify or triangulate the data with other sources, but had to take it 'at face value'. Through this process I arrived at a list of 26 directors in thirteen companies. Table 9 presents the identified directors (the table omits directors' age and gender to protect their anonymity).

Table 9 Identified Participants - Directors

	Company	Company Type	Director Role	Director Type	Educational Background	Professional Background
1	A	SMI/ Fortune 500	Chair	Outsider	Business	CEO
			Head of Investor Relations	Insider - Current executive	Business	Investor Relations
2	B	SMI/ Fortune 500	NED	Outsider - Support Specialist	Law	CEO
			NED	Outsider - Support Specialist	Business	CEO
3	C	SMI/ Fortune 500	Chair	Insider - Former Executive	Business	CEO
			General Counsel & Corporate Secretary	Insider	Law	General Counsel
4	D	SMI/ Fortune 500	Chair	Outsider - Business Expert	Finance/ Accounting	CEO - Chair
			Head of Investor Relations	Insider - Current Executive	Finance/ Accounting	Investor Relations
5	E	SMI/ Fortune 500	Chair	Outsider - Business Expert	Economics	CEO - Chair
			NED	Outsider - Business Expert	Law	CEO - Chair

6	F	SMI/ Fortune 500	NED	Outsider - Business Expert	Law	CEO
			CEO	Insider - Current Executive	Business	CEO
7	G	SMI	NED	Outsider - Support Specialist	Law	General Counsel
			NED	Outsider - Business Expert	Business	CEO
8	H	SMI	NED	Outsider - Business Expert	Business	CEO - Chair
			CFO	Insider - Current Executive	Finance/ Accounting	CFO
9	I	SMI	NED	Outsider - Business Expert	Law	CEO
			NED	Outsider - Business Expert	Finance/ Accounting	CEO - CFO
10	J	SMI	Chair	Outsider - Business Expert	Finance/ Accounting	CEO - Chair
			CFO	Insider – Current Executive	Finance/ Accounting	CFO
11	K	SMI	Vice-Chair & NED	Outsider- Community Influential	Other	Executive - Academic
			NED	Outsider- Community Influential	Economics	Academic
12	L	SMI	Vice-Chair & NED	Outsider – Business Expert	Business	CEO
			NED	Outsider – Business Expert	Other	CEO
13	M	SMIM	NED	Outsider – Business Expert	Other	CEO
			Chair	Outsider – Business Expert	Business	CEO

Step 6. I screened the significant shareholders of each of the thirteen companies and identified the top three significant shareholders in terms of percentage of voting rights held, as reported on companies' and on the SIX website, resulting in a total of 39 investors representing different investor types. In line with the criteria choices presented earlier, I excluded shareholders who held more than 50% of voting rights, in other words families and the state, as these are not 'institutional investors' according to the definition adopted in this study. As of 31 October 2018, each of the 39 investors held between 1% and 11% of voting rights in one or more of the thirteen companies.

Step 7. In this final step I reviewed the list of 39 investors and noticed recurring names and similar investor types, hence I grouped them accordingly: two US *index funds* (14 investors); two *SWFs* (one from Europe and one from Asia) (seven investors); a number of *pension funds* which are part of a foundation for sustainable investment, composed of over 200 Swiss pension funds and public utility funds (ten investors) and one Swiss *asset manager* (eight investors). The groupings included six investors representing four investor types. To gather evidence on whether the six investors could be classified as *relational*, I located publicly available reports where investors disclosed their engagement activities for the year 2017/2018. These were published as an 'Investor Stewardship Report' and/or 'Annual Stewardship Report' and were available on the investor websites. I was searching for evidence of investor engagement with the thirteen investee companies beyond the filing of investment resolutions and voting at the AGM. Studies indicate that this type of engagement represents an important, powerful type of investor activism (Goodman & Arenas 2015; Goranova & Ryan 2014; Semenova & Hassel 2019) where 'the real action typically occurs' (Logsdon & Buren 2009, p. 353) (I elaborated on this point in *Literature Review* above). The quality of investor engagement disclosure varied widely. I categorised it as *basic, medium* or *comprehensive* disclosure. It ranged from a simple line item in a long list of investee companies listed on stock exchanges in various countries (*basic* disclosure), to scant summaries of overall engagement activities in each investee company (*medium* disclosure), to very detailed summaries of engagement activities with a specific set of investee companies, outlining when the engagement took place, with whom (company and directors), how it took place (for instance via conference calls or company visits) and whether there had been a follow up on agreed actions and the planned next steps (*comprehensive* disclosure). I excluded from this set of investor reports those presenting engagement priorities, strategies and activities in general but failing to disclose company names. These general reports would become useful secondary data sources during the document analysis (as I will describe in the section entitled *Secondary Data Sources*). I complemented the group of six investors with three organisations of institutional investors to capture different perspectives on stewardship, to better understand how they contribute to director engagement. These three represent investor-led organisations who have become authorities on standards of stewardship, corporate governance and sustainable investment. Having identified the investors and the investor-led organisations, I then proceeded to identify and target one individual from the board or executive management of each organisation, namely Chair/CEO/Partner/Chief Risk Officer, Head of Engagement and other roles as applicable, depending on the structure. I aimed for individuals who could generate rich insights into approaches to and processes of institutional investors and offer their perceptions of director engagement with corporate purpose. Table 10 presents the overview of the identified investor group.

Table 10 Identified Participants - Investors

Part I – Investors					
Number of Investors *(Total: 9)*	**Investor Type**		**Number of Investors Represented** *(Total: 39)*	**Role of Identified Individuals**	**Evidence of Engagement**
2	Index Fund	Index Fund A (USA)	9	Head of EMEA Investment Stewardship	Medium
		Index Fund B (USA)	5	Head of Investment Stewardship - Europe	Basic
2	SWF	SWF (Asia)	2	Chief Risk Officer	Basic
		SWF (Europe)	5	Specialist – Policy Development Corporate governance	Basic
1	Pension and Mutual Funds	Pension and Utility Funds Foundation (Switzerland)	10	Chair	Basic
1	Asset Manager	1 x Asset Manager (Switzerland)	8	Managing Partner	Comprehensive
Part II - Investor-lead Organisations					
1	Investor-led Global Corporate Governance Association			CEO	N/A
1	Swiss association of institutional investors and institutions			CEO	N/A
1	Organisation of state-owned international institutional investors			CEO	N/A

Access

To move from participant identification to selection I had to go through the phase of *access* which often felt like climbing a mountain. From the start of this study I was aware of the proverbial access difficulties of this type of qualitative enquiry into corporate governance. This challenge characterises most qualitative studies relying (among other data sources) on interviews and/or observations of members of boards of directors (Bezemer, Nicholson & Pugliese 2018; Demb & Neubauer 1992; Humphreys & Brown 2007; Lorsch & MacIver 1989; Mace 1972; McNulty & Pettigrew 1999; Tilba & McNulty 2012). Nonetheless, I did not regard access as an insurmountable obstacle, but rather as one of the many challenges I needed to overcome.

Given the subject matter of this thesis, participants were all elite members of the business, investment and public policy spheres, in other words individuals who allowed me to understand how cognition at these levels might relate to the phenomenon of director engagement with corporate purpose. I pondered on the question of what constitutes an 'elite' and dwelt on the literature in search of answers. Elites have been described in several ways: as top rank executives (Giddens 1972), highly skilled professionals (McDowell 1998), those with specific expertise not possessed by others (Richards 1996; Vaughan 2013), superior social groups (Bottomore 2006), 'people who are leaders or experts in a community, usually in powerful positions' (Brinkmann & Kvale 2015, p. 171), and 'those in the upper echelon of organizations' (Aguinis & Solarino 2019, p. 1293). Elites may include business (corporate) elites (Pettigrew 1992), community or religious elites (Barro & McCleary 2003), professional elites (Aron 1999) and political elites (Aplin & Hegarty 1980; Hadani 2012). For the purpose of this study I adopted the definition proposed by Pettigrew (1992) of 'those who occupy formally defined positions of authority' (p. 123), as it is succinct yet broad enough to encompass members of the business/investment, community and political spheres of interest to this study.

Given the existence of a strong peer mentality among directors (Leblanc & Schwarz 2007; Pettigrew 1992), I have overcome access difficulties by following the avenue 'access to elites is best effected by fellow elite members' (Pettigrew & McNulty 1995, p. 851), proceeding through formal and informal routes, which proved to be an effective way of opening doors. Since 2017 I have held personal meetings in Switzerland with board members of listed companies and personal contacts I developed during my time as a non-executive director. These meetings laid the foundation for the access network I needed for this study and enabled me to confirm the relevance and timeliness of the thesis topic in the field. In particular, the selection of director participants was a complex exercise, requiring many iterations with my support network, while selecting investors proved to be easier, possibly due to the debate on the investor perspective of ESG topics and the increasing amount of engagement activities with their investee companies.

I crafted a specific approach to overcome access difficulties. As is customary among Swiss elites, an informal discussion between the identified participant and my support network often preceded a formal email from me. I sent an introductory email from the email address of my main academic affiliation, an outlook address containing the word 'faculty', as opposed to my student Gmail address, which features the word 'student'. Given that individuals with this elite status have been found to be generally more aware of their own importance (Richards 1996), I considered it essential not only to avoid the email landing in the participant's spam folder, but also to project from the first virtual contact an image of professionalism that would contribute to building trust in me and confidence in my knowledge of the subject matter (Brinkmann & Kvale 2015). The introductory email contained a succinct outline of the study, a polite request for an interview, several possible dates and my short biography. I left the interview location and timing at the participant's discretion, mindful of their busy schedule and limited availability. All email correspondence was in British English with the exception of one director who requested the email and any material in German (and promptly received it). I took great care in drafting each email, double checking spelling, punctuation and any particular word in German or French if applicable. It was important to me that each email would be perceived as personal, rather than the result of a cut and paste from a template, hence I tailored each text to each identified participant. I did so by adding words or phrases that made the email more personal (for instance referring to a conference recently attended or a recently published interview or press release). I was very conscious of the importance of the first impression I made. In most cases I received an email response with 24-48 hours, either from the participant directly or via a personal assistant. Every time I received a prompt response, I was reassured that the access strategy was working smoothly. Responses triggered a swift follow-up by email from my side in order to finalise date/time/location and present the participant with the *Informed Consent Form* and the *Interview Protocol.* I knew that time was of the essence, and I assumed that a prompt response would contribute to an image of professionalism, of dedication to my doctoral studies and to the field of corporate governance. One director requested a 'pre-interview', by which he meant a face-to-face meeting to get to know me personally, which I arranged within the same week. I also encountered one director (a chair) who preferred to send his written answers to the interview protocol, rather than being interviewed in person.

His case disappointed me, as I had to count him as an interview participant via email. I was even more disappointed as this chair is well known for his engagement with the topic, and his participation would have been very beneficial. I subsequently received an email from his office apologising once again and offering to meet me upon completion of the thesis to discuss the results. I wondered what could have triggered his rejection of an interview, other than lack of time or interest, and was able to confirm via a context participant that lack of time seemed to be the issue, and that answering my questions in writing gave this chair more flexibility with his time. Two target participants politely refused my invitation to take part in the study: one director (citing lack of time and knowledge of the topic) and one investor (citing difficulties with her legal team). I was prepared for rejections and I felt quite content when I looked back upon completion of the interviews and double-checked that only two potential participants out of the 44 that I had approached had refused to take part in this study. Rejections triggered a prompt re-grouping over the phone or via email with my support network, and the identification of alternative participants with whom I followed the same access path.

Overall, I believe that the strategy I followed to enlist participants proved to be fruitful due to the following reasons. Firstly, I was fortunate to have built trust relationships with my support network, who entrusted me with their address books, opening doors for me with fellow elite professionals, and to whom I owe a great debt of gratitude. Secondly, I took great care in preparing the ground before approaching participants (not only directors but also investors and context participants), carrying out through research to gather comprehensive information on the individuals and their organisations, including the industry in which they operate and their competitive landscape. Thirdly, although all but one interviews, and almost all correspondence, were in English, I had a linguistic advantage with my knowledge of all three official languages of the Swiss Confederation (German, French and Italian), signalling a cultural understanding of and affinity to Switzerland, which may have helped me to build trust, and develop a rapport through the use of small talk or single words in their native languages. Fourthly, I feel that I behaved at all times with the utmost professionalism, from the very polite tone of email correspondence, to cordial contacts over the phone with the participants or their personal assistants, to my professional appearance and conduct during the interviews, to the messages of thanks I sent within 24 hours, thanking participants for their time and insights and their staff for their hospitality. Fifthly, and most importantly, I invested considerable time in preparing each interview, familiarising myself with the interviewee background, the company, its history and most recent developments, as I knew that elite professionals could challenge me as a way of testing my competence (Zuckerman 1972, p. 175). These individuals are used to being interviewed, to being in the public eye (Brinkmann & Kvale 2015) and I aimed to be an interesting conversation partner rather than someone to talk to as a favour or, even worse, a chore. Consequently, being able to demonstrate expertise about the subject matter, the participant, the company and the context was of paramount importance, helping me to achieve symmetry in the interview relationship. In fact, preparing for an interview exhausted me even more than conducting it. Sixthly, my educational and professional background as well as my age (I was 50 years old at the time of data collection), possibly helped me to build credibility in the eyes of participants, as I offered them the opportunity to familiarise themselves with my background by reading my short biography which mentioned my age. During the field work my support network regularly shared with me feedback they received informally about me and about the study. In one instance, a participant from the government commented on how well-prepared for the interview she thought I was, another commented on my frank attitude and on the fact that the discussion had apparently helped him to develop a different perspective on a set of challenges he had been working on for some time. This feedback loop was very valuable to me, confirming that the topic was timely and interesting, and that I was able to convey competence in my endeavours. I vividly recall one director praising me during the interview for my knowledge of the history of the company, which he claimed took him by surprise. I will elaborate on other surprises in the section entitled *Unexpected Events.*

Participant Selection

Through the access route most identified participants turned into selected participants. I will now elaborate on the dynamics of this process for context participants, directors and investors.

Context Participants

All eight identified context participant organisations (and nine individual participants) turned into selected participants. The group included a public opinion research institute, two ESG and sustainability consultancies, one activist, two newspapers, the federal government and one intergovernmental organisation. In the following sections I describe each participant organisation. Table 11 presents the selected context participants. (Although this table is identical to table 7 in *Participant Identification* above, I show it below in the interest of clarity).

Table 11 Selected Participants - Context

Organisation	Participant Role	Activity Area
Research Institute	Managing Partner	Public opinion surveys
Management Consultancy	Partner	Advisory services in the areas of ESG, sustainable development, UN Global Compact
ESG Data Science Consultancy	CEO	ESG risk exposure
	Senior Advisor	
Activist Movement	Committee Member	Activism
Daily newspaper	Business Editor	Political & economic news and analysis
Weekly newspaper	Editor-in-Chief	Political & economic news and analysis
Swiss Federal Government	State Secretary	Trade and Economic Development
Intergovernmental Economic Organisation	Chair of Working Group	Responsible Business

Public Opinion Research Institute

Founded in the 1950s, the institute specialises in politics and communication research. It is recognised as an expert in opinion-making processes and public opinion in Switzerland. Its activity areas include stakeholder analysis, image and reputation, vote research, policy and issue monitoring and public opinion.

ESG & Sustainability Management Consultancy

Established in the late 1990s, the consultancy specialises in sustainability, sustainable economic development and ESG advisory services. On behalf of its clients, it leads stakeholder dialogue management through the identification and surveying of stakeholders, and the development and management of stakeholder dialogue. It is also a member of a number of national and global organisations in the areas of sustainable development and sustainable finance.

ESG Data Science Consultancy

A pioneer in ESG data science, the company specialises in ESG and business conduct risk research. It supports clients in identifying, preventing and managing material ESG risks in their operations and business relationships. It integrates the Sustainability Accounting Standards Board Framework in its core ESG issues research scope. A participant in the UN Global Compact, the UN-supported Principles for Responsible Investment and Principles for Responsible Banking, the consultancy offers due diligence on ESG risks and provides transparency on business conduct risks for clients worldwide.

Activist

The activist represents a popular movement backed by a coalition of businesses, NGOs and religious groups. It campaigns to hold Swiss-based global corporations accountable for violations of human rights and environmental standards across the countries in which they operate. It aims to establish a legal requirement for corporations and their subsidiaries to assess their impact on human rights and the environment. Corporations in breach of such requirements could be liable for damages under Swiss law, regardless of where the breach took place.

Daily Newspaper

Founded in the eighteenth century, this German-language newspaper has a reputation for high-quality news and analysis in the fields of politics, economics, society and international affairs. It regularly features reports on Swiss-listed corporations, their boards, institutional investors, activist movements and national debates on responsible business conduct.

Weekly Newspaper

As the leading German-language weekly newspaper in terms of circulation, it regularly features national and international debates on corporate conduct, corporate scandals and institutional investors. It offers readers in-depth analysis of large Swiss and non-Swiss corporations, shareholder activism as well as activist movements targeting corporate conduct.

Swiss Federal Government

The Federal Council is the executive body constituting Switzerland's federal government. It is made up of representatives of the seven Swiss cantons. One of its organisms is dedicated to managing affairs in the areas of the economy, trade and labour market policy. It creates regulatory frameworks for sustainable development, growth and employment. For a decade it has been championing institutional dialogue with corporations in the areas of due diligence, responsible business conduct and international competitiveness.

Intergovernmental Economic Organisation

Established in the 1960s, the organisation has a mission to encourage trade and economic progress worldwide. It works with governments and the private sector to identify and understand the drivers of economic, environmental and social change, analysing data to predict future trends and setting standards. It promotes dialogue between institutions, business and civil society for economic and social development.

I adopted some elements of the access strategy (presented in previous parts of the section entitled *Primary Data Sources*) to enrol context participants in the study. In essence I used a professionally written, succinct yet comprehensive introductory email, containing an invitation for a face-to-face interview at a time and location convenient for the interviewee, a brief description of the study, why I was interested in their views and how they would benefit from this study. Upon acceptance of the invitation, I also shared by email the *Interview Consent Form* and the *Interview Protocol* (in Appendix 5 and 6 respectively). I received most responses within three to four days, with two exceptions. The committee member of the activist movement responded after ten days and after two follow-ups on my part (she subsequently informed me that she had been on holidays and had forgotten to switch on an out-of-office response). The State Secretary of the Federal Government responded after almost three weeks, during which I sent one email follow-up and placed one phone call to her office, while a member of my support network had a separate phone call with her. She indicated that she was concerned about finding time in her busy schedule and did not want to delegate the interview to a member of her team, a concern I appreciated.

Companies and Directors

For the core group of this study I was able to secure 22 of the 26 directors, from twelve of the thirteen companies, as selected participants. I gained access to twenty directors in ten companies (two directors each), and one director in each of the remaining two companies. One SMI/Fortune 500 Global corporations in the ‘financials’ industry and ‘banks’ supersector did not accept the invitation to participate in this study, due to lack of time.
In the following sections, first I introduce each of the twelve selected companies (as shown in Table 12) and then I introduce the selected directors.

Table 12 Selected Participants - Companies

Company	Type	Industry	Supersector	Ownership Structure
A	SMI Fortune 500	Industrials	Industrial Goods and Services	Dispersed
B	SMI Fortune 500	Industrials	Construction and Materials	Dispersed
C	SMI Fortune 500	Consumer Goods	Food and Beverage	Dispersed
D	SMI Fortune 500	Financials	Insurance	Dispersed
E	SMI Fortune 500	Financials	Banks	Dispersed
F	SMI	Healthcare	Healthcare	Dispersed
G	SMI	Industrials	Industrial Goods & Services	Dispersed
H	SMI	Financials	Insurance	Dispersed
I	SMI	Telecommunications	Telecommunications	Concentrated
J	SMIM	Industrials	Industrial Goods & Services	Concentrated
K	SMIM	Telecommunications	Telecommunications	Dispersed
L	SMIM	Healthcare	Healthcare	Dispersed

Company A

With a history spanning over 100 years, company A has played a central role in the second and third industrial revolutions, establishing itself as a leader in industrial goods and services. A SMI/Fortune 500 Global corporation, it operates globally with over 145,000 employees. In 2018 it announced a strategic focus on serving the digital industries of the fourth industrial revolution with a simplified organisational and go-to-market strategy. It aims to maintain its leadership in technology by focussing on innovation and unique solutions. Agility, customer-centricity and operational streamlining are the cornerstones of this strategy. Sustainable value creation is a central part of its corporate strategy, aiming to contribute to a sustainable energy future. For the past decade, company A has been included in the Dow Jones Sustainability Index (DJSI), the first global sustainability index, and recognised as a transparent and independent benchmark for sustainability (López, Garcia & Rodriguez 2007; Durand, Paugam & Stolowy 2019; Hawn, Chatterlji & Mitchell 2018). The DJSIs are a family of indexes assessing the sustainability performance of over 2,500 listed companies worldwide through the analysis of financially material ESG factors.

Company B

A leading SMI/Fortune 500 Global corporation in the construction and materials supersector, company B offers solutions to infrastructure projects. It has a globally recognised commitment to addressing the issues of sustainability linked to urbanisation and its effects on people and the planet. Company B has for some years been a member of the DJSI in recognition of excellence in biodiversity, recycling, production and reporting standards and stakeholder engagement. Through its corporate strategy, it aims to be instrumental in providing answers to some of the world's most pressing challenges, namely resource scarcity, population growth and climate change (EY 2018), offering solutions to the construction and materials sector. Company B regularly discloses its engagement with internal and external stakeholders, holding external reviews of its corporate activities by a panel of independent experts in the areas of economic, social and environmental sustainability.

Company C

According to the *Financial Times,* in 2018 company C was the world's largest food and beverage company in terms of revenue. A SMI/Fortune 500 Global corporation, it is a pioneer of engagement with and value creation for stakeholders. For decades the DJSI has recognised it as an industry leader in sustainability. The company aims to contribute to human health across all life stages, responding to changes in consumer demand for healthier and more natural options via high-quality products at affordable prices. Remaining relevant to consumers with new eating and shopping habits is central to its strategy, together with remaining relevant to stakeholders and the communities in which it operates. Corporate purpose is enshrined in the company's articles of association and changes to purpose require a shareholder vote. Company C reports that its corporate purpose is embedded across 189 countries of operation and lines of business. ESG topics are regularly discussed with investors at chair-led events focussed on strategy and taking place around the world.

Company D

Company D is a Fortune 500 Global corporation, founded over 100 years ago as a provider of insurance and insurance-related forms of risk transfer. It provides customers with property and casualty insurance solutions as well as risk and capital management. The company history is deeply intertwined with the history of insurance as a fundamental form of protection of people and businesses. Included in the DJSI, it has made public statements about how ESG factors help it to identify opportunities for innovation, to remain an attractive employer and strengthen its reputation. Company D's ESG approach explicitly starts with its purpose and links this to the group vision, mission, principles and corporate development strategy. ESG topics are the object of strategic, ad hoc, chair-level engagements with the investor community and range from managing sustainability risks to funding longer lives and investing responsibly.

Company E

Company E is a SMI/Fortune 500 Global corporation in the 'financials' industry and 'banks' supersector, providing investment bank and financial services. In its 2018 Annual Report it outlined a commitment to leadership in the Sustainable Investment (SI) movement, and to developing innovative approaches to integrate sustainability in investment decisions. As an asset manager, Company E places increasing emphasis on long-term sustainability issues such as climate change, aging populations and socio-economic inequalities. It is part of a group of banks which championed the identification of ways to apply UN frameworks such as the Protect, Respect and Remedy (UN 2008) and the Guiding Principles on Business and Human Rights (UN 2011) to the banking industry. It is included in the DJSI as an industry leader. Company E is among those European companies which saw their shareholder base oppose the board and management on a number of ESG issues at 2019 AGMs.

Company F

Founded in the late nineteenth century in Switzerland, Company F is a member of the SMI Index, a representative of the 'healthcare' industry and supersector, and a leading provider of healthcare solutions, promoting a healthier lifestyle and reducing illness through preventative care. Operating in over 100 countries, it controls the manufacturing process from the production of active ingredients to the making of and dosage of drugs. Its products and solutions have been reported to contribute to addressing society's most pressing challenges such as the need for clean water, health care and affordable medicines. Company F has been praised in the *Financial Times* and *Bloomberg* for reporting transparently on its sustainability activities, which sit at the core of its corporate development strategy. It regularly identifies and discloses relevant stakeholder groups with direct and indirect influence on its business, from employees and shareholders to customers, regulators, local communities and future talent. Company F has been invited to participate in the 2019 DJSI assessment for inclusion in the index.

Company G

Founded over 100 years ago in Switzerland, company G has developed a leading position in the supersector of industrial goods and services as a specialised chemical and technology company. In over 110 countries customers rely on its solutions to enhance product performance and durability. Through its product portfolio, it contributes to address key global challenges: saving energy, water and resources, cutting CO_2 emissions and building sustainably. Value creation and the reduction of risk and resource consumption are at the core of its corporate development strategy. Sustainability is viewed as a key component of innovation capabilities and sits at the heart of product development. Company G participates in a number of leading green building initiatives and certification systems (Doan et al. 2017; Eichholtz, Kok & Quigley 2013; Newsham, Mancini & Birt 2009), such as LEED (Leadership in Energy and Environmental Design) and BREEAM (Building Research Establishment's Environmental Assessment Method). It has also been invited to participate in the 2019 DJSI assessment for inclusion in the index.

Company H

A SMI index participant, company H is a leading provider of life, pension and financial solutions in the 'financials' industry and 'insurance' supersector. It also represents a main real estate asset manager in Europe in terms of asset size. Against the backdrop of demographic changes in society and increasing individual personal responsibility for future provisions, company H's activities contribute to solutions to these important demographic changes. Company H discloses the integration of ESG factors in its investment and risk management and is a signatory to the UN-supported Principles of Responsible Investment. In 2018 the company announced that it would accord greater relevance to sustainability in its operations and investments.

Company I

Company I is a SMI Index participant established in the late 1990s, growing to become one of Europe's leading telecommunications providers. It operates at the heart of megatrends developing through technology as a primary force, such as digitalisation and connectivity (EY 2018). In 2019 it was one of the winners of a licence for fifth generation wireless (5G) frequencies awarded by the Swiss Regulator, enabling it to gain an edge in new digital services such as the Internet of Things (IoT) comprising everyday objects which can communicate via the Internet. It publishes a Sustainability Report as part of its corporate responsibility approach and a climate report in accordance with the International organization for Standardization (ISO) 14064 standard, the environmental standard specifying the principles and requirements at organisational level for the quantification and accounting of greenhouse emissions and their removal (Bastianoni et al. 2014). Company I is one of the two concentrated ownership companies in this study. Its majority shareholder owns above 50% of voting rights.

Company J

Founded in Switzerland in the late 1900s, company J is a SMIM index participant, a midcap player in the ‘industrials’ industry and the ‘industrial goods and services’ supersector. Operating in over 100 countries, it moves people and goods, benefitting from the booming demand for urban mobility solutions, and using latest-technology engineering and mechanical know-how. The company shapes urbanisation, one of society’s megatrends (EY 2018) and regards sustainability as a core dimension of its duty of care towards customers and stakeholders, as well as a dimension of its value system. Risk awareness and safety are of paramount importance in this sector. In the 2018 Annual Report it discloses at length how its corporate purpose originates and is understood, the tensions between short- and long-termism, and the changes in shareholder profile leading to increasingly heterogeneous institutional investors. Company J is the second of the two concentrated ownership companies in this study. Its majority shareholder is the fifth-generation family of the founder.

Company K

A SMIM mid-cap index corporation, company K was launched in the late 1990s and operates in the telecommunications industry and supersector. It is among the winners of the auction for the 5G wireless frequencies and in May 2019 it announced the launch of its 5G services in Switzerland. Growth, gaining market share and delivering service excellence are its declared priorities. It publishes a corporate responsibility section within its annual report but does not publish a separate sustainability report. Energy efficiency, climate protection, waste reduction and recycling are among its disclosed, core sustainability activities.

Company L

Company L is a healthcare provider manufacturing and distributing drugs. It is also a speciality provider of care and support for patients with rare conditions. Sustainability is regarded as tri-dimensional (economic, social and environmental) and represents an integral part of corporate management and development. It is organised around topics such as value chain impact in the healthcare market, production, packaging, retail and the use of drugs. In the healthcare sector, the trade of counterfeit drugs has been steadily increasing worldwide (Council of Europe 2011; Federal Council 2017c), and company L has made patient protection and fighting counterfeit medicines a cornerstone of its strategy and sustainability commitment, particularly concerning combatting the individual import of drugs via the internet. Stakeholder communication on sustainability mainly takes the form of a Sustainability Report.

As regards the individual directors selected for this study, Table 13 presents their characteristics in line with the director criteria adopted in this thesis and described above. Table 13 does not disclose director age or gender in order to protect participant anonymity.

Table 13 Selected Participants - Directors

Company	Company Type	Director Role	Director Type	Educational Background	Professional Background
A	SMI/ Fortune 500	Chair	Outsider – Business Expert	Business	CEO
		Head of Investor Relations	Insider - Current Executive	Business	Investor Relations
B	SMI/ Fortune 500	NED	Outsider - Support Specialist	Law	CEO
		NED	Outsider - Support Specialist	Business	CEO

C	SMI/ Fortune 500	Chair	Insider - Former Executive	Business	CEO
		SVP Corporate Governance & Compliance Corporate Secretary	Insider – Current Executive	Law	General Counsel
D	SMI/ Fortune 500	Chair	Outsider - Business Expert	Finance/ Accounting	CEO - Chair
		Head of Investor Relations	Insider - Current Executive	Finance/ Accounting	Investor Relations
E	SMI/ Fortune 500	Chair	Outsider - Business Expert	Economics	CEO – Chair
F	SMI	NED	Outsider - Support Specialist	Law	General Counsel
		NED	Outsider - Business Expert	Business	CEO
G	SMI	NED	Outsider - Business Expert	Business	CEO - Chair
		CFO	Insider - Current Executive	Finance/ Accounting	CFO
H	SMI	NED	Outsider - Business Expert	Law	CEO
		NED	Outsider - Business Expert	Finance/ Accounting	CEO
I	SMI	Chair	Outsider - Business Expert	Finance/ Accounting	CEO - Chair
		CFO	Insider - Current Executive	Finance/ Accounting	CFO
J	SMI	Vice-Chair & NED	Outsider - Community Influential	Other	Executive - Academic
		NED	Outsider - Community Influential	Economics	Academic
K	SMI	Vice-Chair & NED	Outsider – Business Expert	Business	CEO
		NED	Outsider - Business Expert	Other	CEO

L	SMIM	NED	Outsider - Business Expert	Other	CEO

I was able to secure a group of 22 directors as selected participants: six *insiders* (five current executives and one former executive), and 16 *outsiders*. Of the six *insiders*, one was a chair, and the remainder current executives (a Senior Vice President of Corporate Governance & Compliance and Corporate Secretary, two CFOs and two Head of Investor Relations). The two CFOs and Heads of Investor Relations were selected because of their specific roles in the investor engagement activities their chair regularly holds (as they, rather than the CEO, accompany the chair on those engagements). The Senior Vice President Corporate Governance and Compliance and Corporate Secretary was also a member of the board of directors and had overall responsibility for ESG topics. The 16 *outsiders* included 11 *business experts*, three *support specialists* and two *community influencers* Table 14 presents an overview of directors by director type.

Table 14 Selected Participants - Director Types

Director Type	**Director Number by Type**
6 Insiders	*5 x Current Executives*
	1 x Former Executives
16 Outsiders	*11 x Business Experts*
	3 x Support Specialists
	2 x Community Influentials

With respect to the widely used term ‘Non-Executive Director’ (NED), as mentioned in previous sections, the term emphasises the non-executive (or non-operational) responsibility of a director’s job, as opposed to the executive responsibility of current executives.

Consequently, adopting the NED terminology, the group of 22 participant directors featured 17 NEDs, or 16 outsiders and one insider-former executive).

With regard to the *educational background* of directors, seven participants studied business, four law, six finance/accounting, two economics and the remaining three had ‘other’ backgrounds such as engineering, pharmacy and journalism. As for *professional background*, 14 directors were former CEOs (four of whom had also been or still were chairs in other companies), two had been general counsels, two CFOs, two had an investor relations background and two had an academic background (and also relevant business experience).

As far as demographics are concerned, 16 of the 22 participating directors were male and six female. Twenty directors (90%) were Swiss and two (10%) non-Swiss. Regarding the outsider/insider typology, of the 16 outsiders, 15 (93%) were Swiss and one (7%) non-Swiss, while of the six insiders, five (83%) were Swiss and one (7%) non-Swiss. As for age, the average age of participating directors was 59.

Investors

I secured eight of the nine identified investors as selected participants and of these I approached six directly and two via my access network. The six directly approached investors are: a SWF from Asia, a SWF from Europe, a Swiss Asset Manager, a global corporate governance association, a Swiss association for sustainable investment, and an organisation of state-owned international institutional investors. As regards the remaining two investors (Index Fund A and a Swiss Pension and Utility Funds Foundation), my support network had a preliminary call with the Global VP of Index Fund A to introduce me and the study. In parallel, through desk research, I learned that the engagement activities of Index Fund A had been centralised in Europe. I located the contact details of the Head of EMEA Investment Stewardship and followed the same email approach outlined in *Access*, emailing an invitation for an interview. After a few weeks of email correspondence, and a brief telephone call with this potential participant discussing the possibility of an interview in early 2019, it was recommended that I attend an international gathering of institutional investors taking place in February 2019 in Europe, where she was going to be on a panel with other institutional investors discussing the topics of stewardship and engagement with investee companies. I will elaborate on this point in the section *Observations* of *Primary Data Sources*.

Concerning the Swiss Pension and Utility Funds Foundation, I used my support network to gain access to the chair. In December 2018 we were introduced via email, the chair swiftly agreeing to an interview which took place in January 2019.

As for Index Fund B, the only investor organisation which did not agree to participate in this study, neither my support network nor my other professional or personal contacts had any established relationship with this organisation, thus in early 2019 I introduced myself personally to the Head of Engagement during a conference in corporate governance where we happened to be sitting next to each other. Although there was interest in the study, after many follow-ups and two telephone calls I was notified that the company legal team had not approved participation in this study, despite the assurances I gave for confidentiality and anonymity, and despite my offer also to sign a non-disclosure agreement specifically for this study.

In the next sections I introduce the investor organisations and the roles of the individuals I selected within each organisation. Table 15 provides an overview of the selected investors.

Table 15 Selected Participants - Investors

Investor	**Investor Role**
Part I - Investor Organisations	
Index Fund A (US)	Head of EMEA Investment Stewardship
SWF (Asia)	Chief Risk Officer
SWF (Europe)	Specialist - Policy Development Corporate Governance
Pension and Utility Funds Foundation (Switzerland)	Chair
Asset Manager (Switzerland)	Managing Partner
Part II - Investor-led Organisations	
Global corporate governance association	CEO
Swiss association for sustainable finance	CEO
Organisation of state-owned international institutional investors	CEO

Index Fund A (US)

Index Fund A is a global institutional investor managing assets in excess of US$6 trillion (2018) and operating with over 13,000 employees. Index funds have been described as 'a special type of investment fund' (Bebchuk & Hirst 2019, p. 11). Index Fund A operates by pulling assets of organisations and individuals, and investing them in diversified portfolios, typically in securities. Since the outbreak of the 2008 financial crisis, it has expanded its actively managed funds, to include passive investing or cheaper investment alternatives, among which are passive index funds. The largest, global passive index funds are often referred to as the ‘big three’ (Fichtner, Heemskerk & Garcia-Bernardo 2017). Index Fund A is one of the ‘big three’, in other words one of the three index funds that increasingly appear in the shareholder register of listed corporations worldwide as well as in Switzerland. Index Fund A is a shareholder in nine of the thirteen companies I selected in this study and its investment size ranges between 1.8% and 7.8% of voting rights. Over the last few years Index Fund A has consistently and publicly indicated that investee companies are expected to engage with their shareholders, and that the Index would seek to exert increasing influence on the companies in which it holds ownership stakes. In this sense, the term ‘passive’ index fund is misleading as there is clear indication of activity. Its stewardship team is the largest in the industry, counting over forty members in 2018. Index Fund A announced its intention to recruit twenty additional team members in 2019. Its activities focus on companies where engagement is most urgent and/or where the potential for value creation is the highest. In 2018 the Fund publicly reported that a few years ago it had encountered difficulties in engaging with boards of Swiss companies, although progress had been made since.

SWF (Asia)* and *SWF (Europe)

SWFs have been described as a new class of funds and the children of state capitalism (Vasuveda, Nachum & Say 2019), ‘blurring the lines between finance and politics’ (Aguilera, Canapé & Esade 2016, p. 5). Both SWF (Asia) and SWF (Europe) have been provided with reserves generated through trade surpluses and natural resources. The national governments of their respective countries have become significant players and institutional investors in today’s economy. Both have invested in listed assets globally and in Switzerland.

SWF (Asia) was established in the 1970s and is estimated to manage assets in excess of US$700 billion, making it one of the largest asset managers in the world. It has followed an internationalisation strategy and aimed to grow control of and potentially engage with portfolio companies. SWF (Asia) focusses on long-term value creation through a prudent investment policy. Investments in equities of European listed corporations represent approximately one-third of its portfolio and its shareholdings in the 13 Swiss listed companies range between 0.5% and 3%. Sustainability features in most of SWF (Asia)'s publicly disclosed information, with reference made to sustainable long-term returns, sustainable performance and sustainable competitive advantage, and wealth creation. SWF has disclosed basic information on its investment stewardship approach towards investee companies.

Established in the 1990s, SWF (Europe) is among the largest in the world in terms of its assets under management, which exceeded US$800 billion in 2018. About half of its equity investments are in Europe, making it the largest stock owner in the continent. Its shareholdings in the 13 selected Swiss companies range between 1.8% and 5% of voting rights. The fund is a key player in the global strategic movement of shareholder activism. It has a reputation as a standard-setting investor in the areas of ESG topics and socially responsible investment. The fund publicly discloses its views on corporate governance and transparency, and on how standards can support the promotion of good practice in the investee companies.

Foundation of Pension and Utility Funds (Switzerland)

This foundation includes over 200 Swiss pension and utility funds. At its creation in the 1990s, its approach to bring Swiss institutional investors to the forefront was novel, and was met with resistance in investment and business circles. The foundation has at times had a reputation for being difficult with investee companies. By 2017 it represented in excess of US$17billion in Swiss equity assets and it is now recognised as a pioneer in shareholder activism. It made the exercise of voting rights the cornerstone of its approach, including on topics such as compensation, director independence and board diversity, and more recently also on ESG topics. The foundation promotes company dialogue at board level beyond merely voting at the AGM. A number of the selected directors I interviewed, however, perceive the foundation's approach as 'aggressive' and lacking an in-depth understanding of the specific investee company (I will elaborate on this point in the section entitled *Data Analysis*). The foundation promotes a sustainable and socially responsible investment approach, aiming to contribute to a socio-economic environment that protects the interests of current and future generations. It is a signatory to a number of global and national initiatives in the area of sustainable investment, and recently joined Shareholders for Change (www.shareholdersforchange.com), a platform supporting smaller institutional investors in strengthening the impact of their engagement with European companies.

Asset Manager (Switzerland)

Founded in the 1990s, this institutional investor provides wealth management services. In 2018 it managed approximately US$4 billion in assets, making it the smallest investor among this participant group in terms of assets under management and investment size (generally below 1% or between 1% and 3% in any listed company). It is a pioneer of responsible investment and a signatory to the UN-supported Principles for Responsible Investment. At the core of its investment strategy lies the principle of reconciliation of profitability with responsibility through the exercise of voting rights, and engagement on financially material ESG topics and on social impact. The asset manager holds between 0.5% and 2.9% of voting rights in the 13 Swiss listed companies and most often features below the 1% threshold of voting rights. Given its relatively small scale, the organisation has recognised from the outset, and publicly stated, that a ‘soft, positive engagement approach’ would yield better results on ESG issues than a ‘hard, confrontational engagement stance’. Despite the limited size of assets under management (in comparison with other investors in this group), this asset manager’s disclosure of engagement activities is the most comprehensive I have reviewed in this study, far ahead of all other selected investors in terms of depth of analysis, details offered and clarity of disclosure. Internal portfolio managers and external sustainability experts systematically drive engagement activities with investee companies and follow through as necessary. Engagement on ESG topics represents a unique selling point for this asset manager and its portfolio of funds.

Global Corporate Governance Association

This organisation is an investor-led, global association of institutional investors representing assets under management in excess of US$33 trillion in 2018. Its mission is to influence public policy in the areas of stewardship and standards of corporate governance, to inform high standards of stewardship and governance, and to share knowledge and best practice in these areas. Over the past years, the association has been instrumental in informing and amending regulation and codes of stewardship and corporate governance in many countries.

The association is internationally recognised as a driving force for corporate governance reform.

Sustainable Finance Association

Founded in the 1990s and currently counting over 100 member organisations (asset managers, banks, insurance companies, research institutes and policy makers), this association has become Switzerland’s *de facto* key information platform for Sustainable Finance (SF). It is recognised at national and international level for its role in developing and strengthening the country’s global position in this field and creating a long-term competitive advantage for the Swiss financial industry. In 2018 it released its first market study on SF, showing an 82% rise in sustainable investments between 2016 and 2018. The association promotes a broad definition of sustainable investments (SI), or any investment approach that integrates ESG factors in its investment policy.

Organisation of state-owned international institutional investors

Established in the 2000s, the organisation’s main concern is developing standards of governance and disclosure for state-owned institutional investors, so that they can help provide financial stability and liquidity to the global economy, and promote long-term investment. The organisation promotes institutional, governance and investment standards, and increased engagement with investee companies on ESG topics. The rise of state-owned institutional investors corresponds with the expansion of the influence of some national governments beyond their traditional remit and role (Vasuveda, Nachum & Say 2018), through, among others, specific vehicles such as SWFs. Hence, countries such as New Zealand, China, Singapore, Chile or Norway have become important institutional investors in the global economy, and many feature among the shareholders of Swiss listed companies. In 2018 there were 81 SWFs with US$7.6 trillion in combined assets under management (Sovereign Wealth Fund Institute 2018). Promoting governance and investment standards for investors of such magnitude is therefore of paramount importance.

As regards the role of the individuals I selected in each investor organisation, the group includes the Head of EMEA Investment Stewardship of Index Fund A, the Chief Risk Officer of SWF (Asia), a specialist in Policy Development and Corporate Governance in SWF (Europe), the Chair of the Swiss Pension and Utility Foundation and a Managing Partner of the Asset Manager (Switzerland). I carefully and purposefully chose these individuals due to their remits, and their potential to generate insights both into investor stewardship and how they perceive director engagement in their investee companies.

Having presented how I planned and carried out the data collection, it is important to note that in this study I regarded saturation in terms of depth of evidence and insights, as opposed to statistical generalisability or representativeness of 'the population'. This research endeavour, like any other, had to reach closure, by which I mean theoretical saturation, or 'the point at which incremental learning is minimal' (Eisenhardt 1989b), because I would look at phenomena I had seen before. Creswell and Poth (2018), and Tilba and McNulty (2012), argue that 20-30 interviews are sufficient to build theory. Pratt (2009) states that there is no 'magic number' (p. 856) of observations or interviews for a qualitative study, while Eisenhardt (1989b) argues that 'there is no ideal number of cases' (p. 545). In the end, what constitutes 'enough' evidence to answer the research questions depends on the point of saturation, or the point at which it becomes apparent that no additional, distinctive themes will emerge (Eisenhardt 1989b; Shah & Corley 2006), and I made use of additional participants or cases to validate the data rather than to generate new themes. As I will present in section on *Data Analysis*, I reached this point after conducting and analysing around 20 interviews, as no new first-order concepts and second-order themes were emerging. In the next section I introduce the two observations I carried out.

Observations

By their very nature, elite interviews offer a subjective account and recollection of issues and events (Richards 1996), and present a number of limitations I have previously outlined (Brinkmann & Kvale 2015; Flick 2014; Miles, Huberman & Saldaña 2014). Thus, as the study gained momentum and I felt I was building trust with participants, I asked and eventually obtained approval to conduct two participant observations. The first was the observation of an investor day held by one of the thirteen selected companies and took place in Switzerland in early 2019. The observation lasted five hours, and discussions observed covered topics such as financial results, strategy update and outlook for the year. A director of the company informally introduced me to the CEO and the CFO (as I already had met the chair who had agreed to an interview). I was introduced as a researcher seeking a deeper understanding of the work of directors in the areas of sustainable value creation and the influence of institutional investors. The two insider directors generously invited me to the upcoming investor day, an invitation-only event dedicated to dialogue with investors and analysts, with no press in attendance. I took detailed notes and kept a low profile as I did not want my presence to disturb the gathering in any way. I also sat at the back fearing that my manual note taking could disturb other attendees. During the social gathering at the end of the event, I did not take notes, as I preferred to focus on interacting with participants, logging in my mind impressions and details I would later record in my journal. I had at least ten conversations with analysts and investors and one with a representative from a US proxy advisor. I did not feel that participants were suspicious of me. Once I had introduced myself and my role at the event, they were generous with information and at times very direct in expressing their frustrations (for instance with regard to how evasive directors were when one analyst asked a particular question about an ESG topic) or their concern about a specific topic (for instance lack of disclosure on ESG). The event was held in English, but some of the conversations I had after the event were in German and one in French. Through this observation I learned about the nature of director-investor interactions, particularly the lack of a strategic dimension in such interactions. Seeing them in action helped me to visualise what it actually means to manage an investor conversation towards or away from sustainable value creation. This observation in fact represented evidence of conversations turning away from value creation as dialogue was centred on the traditional topic of financial results. However, cordial exchanges on financial results suddenly became heated discussions on ESG topics, as analysts and investors present in the room started to raise questions pertinent to ESG issues, such as, 'How does climate change affect your supply chain?', or 'How do you manage the risks and the issues affecting the sourcing of cobalt in Africa, and how are these affecting your mobile business?' Directors were clearly uncomfortable with such questions, exchanging glances, rolling their eyes, drinking water, giving signals to the hostesses who were managing the microphones (and the questions) that time was running out. In essence, they were unable and unwilling to articulate answers, directing the questioner to their Head of Sustainability, who was not present in the room. Directors looked puzzled and unfamiliar with the ESG issues raised by participants. Investors repeatedly asked questions which received only vague answers. There was also an investor whose question showed he was not very familiar with the company strategy, and the important trends sweeping through the industry both in terms of innovation and regulatory changes. His question was dismissed with an assurance that ‘we have it under control and will answer your question in writing’.

The second observation was a three-day study during a global conference on institutional investors and corporate governance, which took place in February 2019 in Europe. Attendance was by invitation only and restricted to an audience of investors and directors. As already mentioned in *Participant Selection* above, the Head of EMEA Stewardship of Investor Index Fund A (US) had flagged her participation in this event. Given that the conference was by invitation only, I set in motion a number of telephone calls with my support network and additional personal contacts in Europe and in the US, and eventually received an invitation to attend. The observation included the study of ten formal sessions over three days and social gatherings between sessions. I observed discussions on the latest regulatory developments in corporate governance, shareholder-stakeholder dialogue, remuneration policies, integrated reporting on long-term value creation, roles and responsibilities of shareholders and listed companies, auditing and the AGM. I was an observer and took detailed notes of what I heard and who interacted with whom, how, why and when, asking myself why a point was being made or omitted. The social gatherings between and at the end of sessions enabled me to interact with participants, getting to know some of them better, and gaining an understanding of which topics were or were not of concern to this group of institutional investors and directors at that particular time. At the conference I met a few of the investors and directors I had interviewed up to that point. In particular, I observed a debate among a group of investors, which included the Head of Stewardship EMEA of Index Fund A (US) from my investor participant group. The topic was investor stewardship and engagement on ESG topics with members of boards of directors of investee companies. At that moment I had the distinct feeling that I was 'right on the money', that the topic of this thesis was right there, in that room filled with experts. I was surprised to hear that the points made resembled the interview questions of this study, and to hear about the difficulties investors have in engaging with boards in a number of countries, particularly in the USA and some parts of Asia, while engagement with European boards appeared to be becoming easier. Investors shared the difficulties they face in developing in-depth knowledge about the thousands of companies which feature in their portfolios. Such difficulties were categorised as *technical* (in house expertise, time, recruiting experts in finance and ESG, the novelty of the topic in asset management) and as *relational* (persuading directors on boards to engage in a conversation covering 'new topics'). One Head of Stewardship bluntly stated that 'directors do not have a clue about macrotrends, social impact, sustainability, cybersecurity or innovation', and that 'they continue to regard digital skills as essential to their job and the lack of technical skills as a hurdle', subsequently and vehemently remarking that 'you can buy technical expertise but not integrated, strategic thinking, interest in value creation, culture or values'. I will return to this point in the section on *Data Analysis.*

Secondary Data Sources

Between September 2017 and May 2019, I reviewed a variety of documents, by which I mean a broad set of documents and records relevant to this study (Schwandt 2015) and available or made available to me (Flick 2014) in the form of *public* and *confidential* documents. Among *public* documents were annual reports, law and regulatory texts, corporate governance and stewardship codes, industry and analyst reports, investor reports, AGM agendas and results, proxy recommendations, newspaper articles and sustainability reports. In particular, newspaper articles and sustainability reports deserve further elaboration. Concerning newspaper articles, in this study, I used articles from the *Financial Times,* considered a reputable publication (Lauterbach & Pajuste 2017) and from *The Economist.* However, since a recent global study on public preference for news coverage indicates that people follow national news more closely than international news (Pew Research Centre 2018), I also included the *Neue Zürcher Zeitung* (NZZ), a Swiss publication in the German language. With regard to sustainability reporting, investors are increasingly concerned with understanding ESG risks in their portfolios, and society scrutinises the information companies disclose. Disclosure on sustainability takes, among others, the form of sustainability reports. In Switzerland the national action plan to implement the UN Guiding Principles on Business and Human Rights (Federal Council 2016) provides guidance for non-financial company reporting ('sustainability reporting') and sustainability is at the core of the Federal Government's Sustainable Development Strategy 2016-2019 (Federal Council 2016b), which sets out the policy priorities for the country's medium- to long-term sustainable development. Furthermore, according to article 9 of the Directive on Corporate Governance (SIX Swiss Exchange 2018d) and article 9 (paragraph 2.03) of the Directive on Regular Reporting Obligations (SIX Swiss Exchange 2018f), companies may 'opt in' to sustainability reporting. Through email interactions with the SIX team in charge of corporate governance, I enquired about evidence which puzzled me. I had discovered that of the initial set of 258 listed companies I had identified (see *Primary Data Sources* above), as of October 2018 only thirteen had chosen the sustainability opt-in option and only one of them was from the group of twelve companies selected for this study. However, most companies in the selected group did publish a sustainability report. I needed therefore to understand what the opt-in option actually meant, and discovered that there are two 'sustainability reporting' tracks running in parallel: listed companies that choose the SIX opt-in option, and listed companies that publish a sustainability report in line with internationally recognised standards but might choose not to opt-in. Hence, for the purpose of identifying documentary sources, I chose the sustainability reports published on company websites.

Concerning the second type of document I collected in this study, some participants voluntarily shared with me *confidential* documents, a gesture I appreciated as a sign of trust in me. Confidential documents included internal documents such as investor presentations, chair presentations, excerpts of internal strategy documents, practitioner articles authored by directors (ahead of publication), ESG reviews aimed for investors. All confidential documents were handed to me in hard copy.

Unexpected Events

In qualitative studies it is considered of paramount importance to offer a transparent account of what the researcher did, how and why. Aguinis and Solarino (2019) recommend reporting transparently on ‘unexpected opportunities, challenges and other events’ (p.1294) to enhance the clarity and replicability of the study. Reviewing the field-notes in my journal and taking the time to reflect, I identified a number of ‘unexpected events’, by which I mean those I had neither planned nor expected. Since the way I reacted to these events affected the data collection, the analysis and the conclusions I drew from this study, in the following sections I offer an overview of these events.

The first unexpected event happened in November 2018, when the office of the chair of company E (Fortune 500 Global, industry ‘financials’, supersector ‘banks’) informed me that

it would not be possible to have a face-to-face interview and that I would instead be provided with written answers to the interview questions. I pondered on whether to accept this offer, as I would have preferred a personal interview. However, after discussing the matter with my support network, and being told that there seemed to be an issue of time rather than lack of interest, I decided to accept the offer and secure the chair as a participant and primary source of data, although via email. The second unexpected event concerns the same company and chair. Towards the end of March 2019, when I was back in Dubai, I received an email from the chair's office, apologising for not having been able to offer me a personal interview, confirming interest in the study and inviting me to meet in person upon completion of my thesis and doctoral studies, to get to know me personally and discuss the main findings.
The third unexpected event occurred when a selected context participant from the Swiss Federal Government proactively placed a phone call to a fellow chair to introduce me and the study, opening the door for an additional context participant. I was surprised by the gesture and its speed, and by how it was done (a personal phone call in my presence). I interpreted this as a sign of interest in the topic, appreciation of my ability as researcher, and possibly a sign of trust in me. The fourth surprise happened during the interviews with the chair and the CFO of one of the participating companies. While interviewing the chair, I felt that he was telling me what I wanted to hear and, despite my probing questions, he was clearly sticking to an agreed line. I suspected a bluff or, at least, that in the interview with the second director, which was scheduled for a couple of weeks later, I was not going to find confirmation of this evidence. When I sat in front of the CFO, who was very cordial and polite, I discovered that my suspicions were well-founded. His opening line was to the effect that 'we are here to make money'. He continued by stating that in many meetings with investors only once had he had a question on ESG topics and purpose, that at board level 'there is gender diversity just to

look good', that C-level positions in general 'are not for women', that 'finance is not a field for women', that the industry is generally 'not interesting for women', and that in the industry there were no sustainability issues. Alongside these remarks (made before and repeated during the interview, hence audio recorded), he also made statements about the company culture, 'a dictatorship where you are told what to do and your opinion does not count', and the chair, 'he does not understand the industry at all, and he never meets with investors because I always end up doing the investor days and presenting the financials'. On the spot I did not know whether to laugh or cry; however, I remained professional, and refrained from reminding him of my professional background or rebutting his statements, as that was not my role as researcher. I did, however, spend a considerable amount of time afterwards reflecting on this experience, and came to see these two directors as dysfunctional, and certainly as indicators of a very different side of the story of director engagement. As it turned out, this company would become one where I managed to gain approval to conduct an observation (as detailed in the section on *Observations*). The fifth unexpected event happened in May 2019. In the early hours of 10 May, I woke up to discover that nine days of my interview coding in NVivo had disappeared from the project file (I will elaborate on the use of NVivo in the section on *Data Analysis*). I vividly recall the feelings of despair and panic, despite having the night before run my regular, weekly back-up of all files related to this thesis (the thesis itself was backed up daily in three different locations). I immediately contacted NVivo support to discover that only email support, with a delay of 48 hours, is available. In parallel, I sent a tweet to NVivo asking them to prioritise my request for help. By the early afternoon, having heard nothing back, I located and contacted the UK office (as NVivo is based in Australia), and spoke to a receptionist who proved to be very helpful. I learned that NVivo is not a web application, and that the system keeps no copy of projects in the cloud, hence users are on their own when it comes to saving and backing up files. She proactively offered to contact the support team on my behalf, asking them to prioritise my request. The following morning I had an email exchange with the Australia-based support team. Although the exchange was not particularly useful, as none of the tricks the agents suggested solved the problem, I did learn that while performing a back-up at times NVivo encounters errors which have not yet been solved in the current version released. I began therefore to go through all the folders of my laptop one by one, and finally found the 9 May version of the NVivo project in a folder that had nothing to do with this thesis. How it landed there will remain a mystery, but from this experience I learned never to perform a back-up while my NVivo project was open, and that for exceptional cases there is a secret number to call at NVivo Australia. I kept the number visible on my desk, hoping never to have to use it!

All in all, unexpected events proved to be a learning opportunity for me, although with hindsight, I must confess that some proved to be deeply troubling. Having presented how I went about collecting the evidence, I now introduce how I analysed and interpreted the data.

Data Analysis

Introduction

Throughout this study, particularly in data analysis, I very often wondered whether I had got it right (Stake 1995), although, from an interpretivist point of view there isn't a 'right' story, rather a story told by participants in a particular context, at a particular time and interpreted by me. In my mind, 'getting it right' related to my ability to interpret the data adopting different points of view, to conduct an in-depth analysis, and to emerge with conceptualisations and theorisations of the findings. It certainly did not depend on good fortune or intuition, but rather required discipline and adherence to protocols to go through data analysis and triangulation, and thus to develop a rich picture, gain the confirmations needed and increase the study credibility. In line with interpretivism, the research philosophy of this study, I adopted an inductive theory-building approach (Eisenhardt 1989b), and moved iteratively between the data sources, analysis and themes generated (Langley 1999; Miles, Huberman & Saldaña 2014). Data collection and analysis mostly unfolded in parallel, and the analysis took place between September 2018 and July 2019. I always kept in mind that I aimed to tell a story based on the generation and analysis of themes (Plowman et al. 2007), a story about director engagement with corporate purpose. This helped me to navigate this stage of the research process, for instance in making decisions about issues emerging from the data which I regarded as out of scope.

To warrant a robust analysis, I followed the methods and steps recommended by Gioia, Corley and Hamilton (2012), complementing them with those proposed by Eisenhardt (1989b), and Miles, Huberman and Saldaña (2014) to inform a tabular display of evidence. I used content analysis (Flick 2014; Guest, MacQueen & Namey 2012) to analyse the interview data, moving iteratively between the transcripts, the literature and my field-notes, as these represented my ‘stream of consciousness’ (Eisenhardt 1989b, p. 539) and helped my memory of events. Following Gioia, Corley and Hamilton (2012), I started with the identification of *first-order concepts*, and then moved to *second-order themes* and *aggregate dimensions,* which allowed me systematically to build the *data structure* of this case. To confirm findings, I then triangulated the data sources, comparing the interview data with the written-up observations and with documents. For participant observations and documentary evidence I looked for confirmation, or at least no contradiction, of the stories told by directors. I designed this study with a combination of interviews, observations and documents to be able to capture other aspects of director stories. I chose individual directors as the unit of analysis, as opposed to companies, because companies would have required a different study design, with more than two participants per company, possibly the whole board and, in the case of global, listed companies, possibly even members of subsidiary boards (Du, Deloof & Jorissen 2011, 2015). I analysed within cases and across cases, searching for patterns and themes, which eventually led me to conceptualise aggregate dimensions. Data analysis was non-standard, filled with twists and turns. I continually linked the data back to the research questions to help me focus on what was relevant, leaving aside that which was irrelevant or out of scope. My aim was to ensure a tight connection between the data and the study’s claims (Easterby-Smith, Golden-Biddle & Locke 2008). In qualitative studies, despite the support of software programmes such as NVivo, there is no relatively straightforward method to collapse various indicators into single constructs (Eisenhardt 1989b; Eisenhardt & Graebner 2007), and I had therefore to be diligent and organised in categorising and tabulating the evidence, its underlying constructs and its nuances. In the next sections I present how the data analysis unfolded.

Data Analysis Stages

In this section I describe the stages of data analysis, namely first-order analysis (culminating in *first-order concepts*), second-order analysis (*second-order themes*) and third-order analysis (*aggregate dimensions*).

First-Order Analysis

To assist in the organisation and analysis of the interview data, I used QSR NVivo (version 12.4 for Mac), a qualitative research software adopted in other studies (dela Rama 2012; Goodman et al. 2014; Tilba & McNulty 2012), as a tool to support the coding of interview transcripts and to retrieve information. It offered me a different way of looking at the evidence, allowing 'a profound explanation of the data' (dela Rama 2012, p. 508), which I would possibly have not achieved if I had done the analysis manually. Coding is a central feature of thematic analysis, and refers to a 'process of labelling and categorising data' (Flick 2014, p. 373), a procedure that 'disaggregates the data, breaks it down into manageable segments, and identifies or names those segments' (Schwandt 2015, p. 30). I used coding as a phase to prepare the data for interpretation, a set of activities I carried out to understand the logic of the data and place it into context. In NVivo, codes are labelled as *nodes* and function as containers which hold ideas, representing concepts or categories. Categorising nodes allowed me to write up the results in a rigorous, and organised manner. In this stage of the analysis, I proceeded in three steps. I started by creating the skeleton of the coding structure as it emerged from the literature review, and my understanding of director engagement up to that point. I created parent nodes for *context, director engagement*, *corporate purpose*, *governance*, *directorial* and *organisational contingencies*, *institutional investors*, *tensions* and *outcomes*. I also created a node for *memorable quotes*, which proved to be very useful in writing up of the findings. Appendix 7 shows the parent code structure I set up in NVivo. I then uploaded interview transcripts to the system as text files, and proceeded with coding them, identifying meaningful and relevant units of data (first-order concepts). I made a conscious effort to reflect participants' words and expressions (rather than my own), basing coding on *in vivo* words and/or phrases, leading to concepts centred on informants (Gioia, Corley & Hamilton 2012). First-order concepts are sections of statements or words from the transcripts. I also used initial words or phrases from the literature to spot micro units in the transcripts (for instance 'engagement', 'value creation', 'interest', 'time', 'ESG'), which I then grouped to a *node*, in NVivo terminology. As expected, at times in this step I felt lost in the sheer mass of data and codes, before I eventually found meaning. The initial set of first-order codes generated from 39 interview transcripts included 534 first-order concepts. Given the size of the codebook[11], Table 16 shows examples of how I coded selected interview text to first-order concepts. The full list is available in Appendix 8.

[11] In NVivo terminology a *codebook* is a table containing all parent and child codes, their description (as written by the researcher), and the count of files and references grouped to each node.

Table 16 Examples of First-Order Concepts - Coding

1. From the interview transcript of a chair (insider-former executive, food & beverage).

Interview Transcript Text	First-order Concepts
Researcher: Good afternoon and thank you for agreeing to this interview. The first question relates to what is corporate purpose in your view? Chair: It is essentially about creating value, (…). Corporate purpose is about how we create value, sustainable value. This means how we create financial results, but also how we contribute to the environment and society. These three elements are interdependent. So it is economic, social and environmental aspects of sustainability.	Research Question 1 (RQ1) Parent node CORPORATE PURPOSE-Child nodes: *definitions of corporate purpose, creating value, economic, social and environmental aspects, interdependent, sustainability*.

2. From the interview transcript of a director (insider-current executive, industrial goods and services)

Interview Transcript Text	**First-order Concepts**
Researcher: What are the key governance mechanisms in support of corporate purpose? AW: I think it probably needs a combination. It is important that you basically have, you know, <u>effort</u> on the part of the directors, with each director and all the way down if you want to develop <u>purpose-driven corporations</u>, that you have, you know, for instance board <u>committees</u>, so that eventually we deliberately sort of <u>institutionalise purpose</u>, in a sense. If you do it just as one of many things, on the one hand, I don't think it has the same sort of meaning, also to the organisation. But if you really want to be serious about it, you have to, well, implement some structure around purpose, for instance <u>board committees</u> and have it as an <u>agenda topic</u>, I think that's very important. I think it also always needs people who are <u>interested</u> and have <u>commitment.</u>	Research Question 2 (RQ2) Parent node DIRECTORIAL CONTINGENCIES- Child node: *effort.* Parent node OUTCOME- Child node: *purpose-driven corporations.* Parent node: GOVERNANCE CONTINGENCIES- Child nodes: *agenda topic, board committees* Parent node OUTCOMES- Child node: *institutionalise purpose.* Parent node DIRECTOR ENGAGEMENT- Child nodes: *Director behaviour*, sub-node *being interested.* *Director attitudes*, sub-node *commitment.*

3. From the interview transcript of a director (outsider-business, construction and materials)

Interview Transcript Text	First-order Concepts
Researcher: What experiences have you had of directors engaging with corporate purpose? Director: Engagement has a lot to do with my background, my personal values. My motivation has never been money and prestige only, money has never driven my decisions to join or not join a company. I ask questions, I do care about this company, I am interested, I come prepared for board meetings. I am not one of these guys hanging on to their seats because I believe that directors reach their expiration date. Then of course you need time as engagement means passion and energy and all of this takes time. You need to be switched on so you understand and anticipate macro changes out there, what is going on. Over the years I have seen so many board members clueless, completely clueless. I mean it is shocking, no clue about purpose and anything we are discussing.	Research Question 3 (RQ3) Parent node DIRECTORIAL CONTINGENCIES- Child nodes: *background, motivation, time.* Parent node DIRECTOR ENGAGEMENT- Child nodes: - *Director Values & Beliefs*, sub-node p*ersonal values.* - *Director Attitudes*, sub-nodes *being interested, money and prestige, concern-interest-care, hanging on to their seats.* -*Director Behaviour*, sub-nodes *asking questions, being switched on, prepared for board meetings, clueless.* Parent node MEMORABLE QUOTES- 'Directors reach their expiration date.'

It is important to note that *first-order concepts* represent participants' common understanding of the topics addressed in the research questions. Based on the initial coding I carried out in the first stage of the analysis, I found a high degree of convergence in participants' perceptions of corporate purpose and how institutional investors contribute to their engagement through investor stewardship, and a more diverse set of accounts as to how director engagement unfolds. Reviewing first-order concepts, I began to understand that director engagement was not emerging as an engaged/disengaged dichotomy, but rather as a journey, and I started to conceptualise it as predicated along a continuum. Table 17 presents a selection of first-order concepts I regarded as a first indication of a continuum of director engagement.

Table 17 Selection of First-Order Concepts

Parent and/or Child Node Name		First-Order Concept
CORPORATE PURPOSE		Changes in corporate purpose
		Compliance
		Corporate development
DIRECTOR ENGAGEMENT	Director Attitudes	Changes
		Conformity & compliance
		It's a journey
		Risk Management
		Risk Mitigation
	Director Behaviour	Abstaining from voting
		At point zero of engagement
		Being switched on
		Clueless
		Directors who want to be compliant
		Growing in the director role
		If you only act on pressure you are still in risk mitigation
		Not contributing
		Passivity
		Seeking advice
	Director Values	Turning environmental issues into opportunities for innovation
		Understanding risks and opportunities

The full set of first-order concepts included some I considered not directly related to the scope of this study. I made a list and labelled them as ‘out-of-scope’. These included, for instance, *what is value, measurement*, *value distribution*, or *purpose of capital* and *dual class shares*. Appendix 9 presents the list of out-of-scope concepts and examples from participant accounts. Although beyond the scope of this thesis, these were important concepts concerning participants, and forming the subject of academic and practitioner debates. Before proceeding to the next stage of analysis, I ran several word frequency queries in NVivo to help me identify possible themes. I visualised the results in a word cloud, presented in Figure 8.

Figure 8 Word Cloud

In NVivo the size of a word indicates its frequency (limited to the top 121 words by default). The cloud helped me to map what eventually emerged as the *fil rouge* of this study, a story of director engagement as a process of knowing and understanding purpose. I then proceeded with second-level analysis.

Second-Order Analysis

In this stage, the analysis became more abstract, and I felt I entered the domain of theory. I looked for links and connections, grouping first-order concepts and identifying *second-order themes*, 'researcher-centric concepts, themes and dimensions' (Gioia, Corley & Hamilton 2012, p. 18). I then refined the themes, triangulating the interviews with my field-notes from observations, and documentary analysis. This process was far from linear, as I repeatedly moved between concepts, themes, the literature, field-notes and documents. I paid attention to what was common and what were nuances (Smith & Osborn 2008, p. 57), continuing these iterations until I felt that adequate conceptual themes were emerging (Eisenhardt 1989b). During this stage, the literature also proved to be particularly helpful, informing my elaboration (and interpretation) of the theoretical meaning of participants' voices; in other words, it helped me to identify themes and to begin to understand how they fit together (Pratt 2009; Spradley 1979).

Table 18 presents the list of 36 second-order themes which are theoretically significant, relevant and central to this study's research questions. It builds on the parent node structure in NVivo, while 'moving up' the theoretical realm.

Table 18 Second-Order Themes

Parent Node Name	Second-Order Themes	Corresponding First-Order Concepts
CONTEXT	Macro and Swiss Context	31
	Regulatory Frameworks	17
	Old Boys' Club	4
CORPORATE PURPOSE	Images of Corporate Purpose	52
	Dimensions of Corporate Purpose	26
DIRECTOR ENGAGEMENT	*Director Attitudes*	
	Concern and Interest	25
	Passion-Energy-Commitment	11
	Mindset	11
	Director Values and Beliefs	
	Thinking and Understanding	17
	Beliefs	12
	Personal Values	12
	Knowledge and Insight	8
	Director Behaviour	
	Proactivity	14
	Authenticity	13
	Asking Questions	10
DIRECTORIAL CONTINGENCIES	Personality	17
	Director Role Identity	11
	Competence	19
	Motivation	7
	Generational Shift	6
	Time	4
GOVERNANCE CONTINGENCIES	Chair	40
	Board Structure and Process	20
	Integrated Reporting	13
	Public and Private Ownership	7
	Industry	11

ORGANISATIONAL CONTINGENCIES	Culture	2
INSTITUTIONAL INVESTORS	Investor Heterogeneity	32
	Investor Behavioural Integrity	12
	ESG	11
	Proxy Advisors	11
	Small Investors	7
TENSIONS	Short-termism and Long-termism	26
OUTCOMES	Board Engagement	3
	Institutionalisation of Corporate Purpose	7
	Trust and Reputation	5

In the next sections I present each second-order theme in detail.

CONTEXT

Context consists of three themes, grouping a total of 52 first-order concepts. Context represents ‘the surroundings’ (Cappelli & Sherer 1991, p. 56) of engagement, and reflects the following directorial perceptions: *Macro and Swiss Context*, *Regulatory Frameworks* and *Old Boys’ Club*.

Macro and Swiss Context

This theme emerged from the aggregation of 31 first-order concepts relevant to the research questions of this study. Participants attributed the utmost importance to the *Macro and Swiss Context* in which directors operate. As expected, context is relevant, because how directors perceive context affects engagement. Borrowing from Johns (2017), I regarded *Macro Context* as ‘omnibus context’, or that ‘operating at a broader, more general, more distant level’ (p. 577), and the *Swiss Context* as ‘discrete context’, or ‘a narrower, more specific, more proximal level' (p. 577), in other words, the specific set of factors associated with directors 'above those expressly under investigation' (Cappelli & Sherer 1991, p. 56). Directors perceive context as challenging, complex and unstable, filled with social and political tensions, environmental challenges, activism and a pervasive crisis of trust in business. Millennials and social media are important forces shaping public opinion, with increased awareness and scrutiny of corporate behaviour. Swiss direct democracy gives people a voice and is part of the country's DNA. It is also conducive to activism, such as the Responsible Business Initiative, and the potential fundamental changes this entails in the way Swiss corporations are managed and governed. Important societal changes are taking place in and outside the Alpine nation, with more interest in authenticity, transparency, living a purposeful life, conducting purposeful business and equality. The following first-order concepts are representative examples of this theme:

Macro Context:

- Global challenges
- Brexit
- Trade wars
- Complexity
- Instability
- Crisis of trust
- Climate change
- Creating carbon emissions
- Difficult general environment
- Consumer awareness
- Millennials
- Social media

Swiss Context:

- Activism
- Associations
- Pressure groups
- Direct democracy
- Public opinion
- Country DNA

- Societal changes
- What the government expects

Regulatory Frameworks

This theme refers to codified, written rules and regulations (soft and hard law), and results from the aggregation of 17 first-order concepts. Swiss regulation is intentionally light-touch and non-judgemental (Jones 2019). It sets broad, *laissez-faire* frameworks, within which corporations choose how to behave. However, Swiss law mandates directorial roles and responsibilities, with directors charged with the management and strategic direction of the company. The regulatory repertoire also includes rights and responsibilities of investors (as these affect what directors can or must do, and how) and includes a variety of codes and regulations (presented in *The Swiss Context*). At this stage, I debated whether to combine this theme with the previous one (*Macro and Swiss Context*), as regulation can be viewed as part of context. I decided to keep it separate, given the very special features of the *Regulatory Frameworks* mandating directorial roles and responsibilities. This theme includes institutions, or organisations, and the formal institutional frameworks they provide in written form (laws, regulations, codes of conducts or guidelines) (Chacar, Celo & Hesterly 2017; North 1990, 2005; Scott 2013), including Federal Government expectations, Swiss law, codes of governance, the national contact point for the OECD Guidelines for Multinational Corporations, among others, setting the scene for engagement to unfold. A selection of representative first-order concepts for this theme is as follows:

- Swiss law
- Equitable treatment of investors
- Role of government
- Four pillars of corporate governance[12]
- You cannot delegate strategy
- Regulation and fear of regulation

[12] Transparency, responsibility, accountability and fairness (OECD 1999, 2015).

Old Boys' Club

This theme emerged by aggregating four first-order concepts. The Swiss *Old Boys' Club* originates in the military system. The Swiss system is a textbook case of a militia system (Tresch 2011) and had a profound influence on Swiss corporate governance, and particularly how directors have historically been selected (and motivated) to serve on boards. In the twilight years of the cold war, while most countries abandoned conscription-based armed forces (Dandeker 1998), Switzerland did not. Conscripts are citizens in uniform (Tresch & Haltiner 2008). Article 59 of the Federal Constitution (Federal Council 2018) mandates general conscription for men, its application ensuring that the country has an 'active reserve'. The Swiss militia is at the origin of the *Old Boys Club* theme. For decades, the system 'to protect society, the political system and the territory' (Tresch 2008, p. 242) represented an important element of social cohesion in a small, yet multicultural, multi-faith, multi-language society. Since the 1970s, the *Old Boys' Club* has evolved: Swiss social values of discipline, obedience and subordination have slowly been replaced by autonomy, self-development and self-determination (Inglehart 1977). Swiss society has become more individualistic and pluralistic (Edmunds et al. 2016). Younger generations view once prestigious military careers as less attractive. The evolution of the *Old Boys' Club* affects how directors are selected and their motivation to serve as, increasingly, younger directors with limited or no direct connection to the militia are elected. Directorial motivation to serve is shifting from power grabbing among 'friends' to a set of quite different motives affecting director engagement. The concepts collapsed under this theme are:

- Army
- Boys' network
- Militia system
- Old system

CORPORATE PURPOSE

Images of Corporate Purpose and *Dimensions of Corporate Purpose* emerge from the aggregation of 78 first-order concepts. I distinguished between images and dimensions, as 'images' refers to perspectives on purpose, while 'dimensions' focusses on specific elements within the emerging conceptualisation of purpose.

Images of Corporate Purpose

Images of Corporate Purpose aggregates 52 first-order concepts, and refers to views of purpose, its evolution and relevance, and perceptions about the responsibility of corporations. Participant accounts converged to portray an image of purpose as sustainable value creation. Purpose emerged as being neither about the social role of corporations, nor about moral obligations, 'doing what is right, just and fair' (Jamali 2008, p. 215) or what is good and right (Besio & Pronzini 2014), but rather as strategic in nature. Although corporations play a major role in society, they remain first and foremost commercial entities which exist to create value. Over time, however, value and *how* it is created have assumed different meanings and dimensions. Ever since the 1970s, the mainstream image of purpose has been some form of financial performance or shareholder value maximisation. In the twenty-first century, however, value and how it is created are beginning to assume broader, strategic dimensions. Purpose is strategic because it encapsulates how corporations create value by assembling resources, a core concern in strategic management (Barney 2019); it relates to how companies anticipate and address societal needs (Teece, Pisano & Shuen 1997); and it involves directorial goal-setting, decision-making and resource mobilisation, activities associated with strategy and strategic behaviour (Mintzberg 1987; Schyns, Wisse & Sanders 2019). Representative first-order concepts grouped under this theme are:

- Core business
- Corporate development
- Creating value
- Keys to the company
- To do things which are truly valuable
- Shareholder value
- Stock price
- To deliver value to investors you need to deliver value to society
- Social purpose
- Changes in corporate purpose
- How and why purpose matters

Dimensions of Corporate Purpose

This theme results from the aggregation of 26 first-order codes and outlines the dimensions of what ‘sustainable value creation’ actually means. The pilot study indicated that purpose is three-dimensional, in its value creation in relation to financial, social and environmental aspects, and in the main study I gained additional insight into these elements. *Financial* sustainability relates to a corporation’s financial health, its ability to generate appropriate financial returns, and to honour its obligations both in the short and long run. Participants used the term *financial* rather than economic sustainability, as the latter is viewed in connection to do the broader concept of sustainable development (an issue outside the scope of this study as presented in Appendix 9), as popularised by the World Commission on Environment and Development (WCED 1987) in the Burtland report, and the principle of economic prosperity (Bansal 2005; Bansal & Song 2017). *Social* sustainability relates to how companies serve societal needs and their evolution (for instance by discovering natural solutions for sugar reduction in food and beverages, hence contributing to address the problem of diabetes); how corporations impact on communities (for example, rain forest destruction for the production of palm-oil and the consequential damages inflicted on communities). *Social* sustainability also refers to other aspects (and corporate goals), such as employee engagement, happiness and well-being, respect of human rights and dignity, or proactive management of the transition towards more responsible patterns of consumption. *Environmental* sustainability relates to the corporate contribution towards respect, care and protection of the natural environment, for instance through carbon emission reduction, energy and water consumption, or waste management and recycling, but also through highly innovative roll-outs of industry 4.0 technologies (artificial intelligence or automation technologies and robotics) to make production more efficient, safer and more conducive to positive environmental impact. The time dimension of purpose is also included under this theme, entailing both short- and long-term time-scales. Although there is a tendency to think of sustainability in terms of a distant future (Bansal & Song 2017; Meadowcroft 2009), evidence indicates that financial, social and environmental sustainability are both short- and long-term. Borrowing from Kemp, Rotmans and Loorbach (2007) in the context of the Dutch energy transition, purpose is seen as being about 'short-term steps for long-term change' (p. 315). Tensions exist between long-term goals and short-term performance (Kern & Smith 2008; Starbuck 2005, 2014), and trade-offs need to be found between what Priem et al. (2018) refer to as 'near-term certainties versus exploring for distant possibilities' (p. 7). A selection of representative first-order concepts grouped under this theme are:

- Aspects of purpose
- Compliance
- Cyber risk-security
- Human rights
- Materiality
- Maximising profits
- Financial, social and environmental aspects
- Short-term versus long-term
- Stakeholder view of business
- Sustainability
- Strategy

DIRECTOR ENGAGEMENT

Ten second-order themes, emerging from a total of 133 first-order concepts, map out participants' perceptions and accounts of director engagement. Three themes relate to *director attitudes*, four to *director values and beliefs*, and three to *director behaviour*, portraying director engagement as the extent to which directors commit their affective, cognitive and behavioural resources to corporate purpose. I will now present each theme.

Director Attitudes

Concern and Interest, *Passion-Energy-Commitment* and *Mindset* emerge as directorial attitudes, the affective dimensions of how engagement happens, and result from collapsing 47 first-order concepts.

Concern and Interest

This theme emerged from collapsing 25 first-order concepts related to affective dimensions of director engagement. The Oxford English Dictionary defines *concern* as ‘a feeling of interest, solicitous regard, or anxiety’ and ‘solicitous regard, anxiety, worry; a state of mind arising from this’ and *interest*, a synonym, as ‘a thing in which one has an interest or concern’ (https://www.oed.com). I kept *concern* and *interest* as separate terms, as concern can emerge through interest, and participants used both terms. Concern for corporate purpose unfolds from a ‘healthy’ scepticism vis-à-vis the written and verbal information to which directors are exposed through fellow directors or top management, and a desire, an interest, to dig deeper into matters, to learn more, to understand the bigger picture and the world. Interest can also originate from a state of unhappiness or simply ‘being fed’ vast amounts of information and data to carry out directorial duties. In addition, interest is fuelled by affective relations with the company, the board, nature, the community, or Switzerland. A long-term view of the company’s future, rather than in ‘cashing in’ on any given compensation, can also act as a trigger of interest. Serving at the apex of a corporation ‘with purpose’ gives directors a sense of personally adding value, contributing to society. Relevant first-order concepts grouped under this theme are:

- Being sceptical
- Concern-interest-care
- Learning
- Personal interest

- Taking it seriously
- Unhappy
- Wanting to dig
- Sense of contributing to others and having impact on society
- Something I can be proud of

Passion, Energy, Commitment

Passion, Energy and Commitment groups eleven first-order concepts, which participants related to engagement. *Passion* emerges in relation to drive, tenacity, commitment and energy. Evidence indicates that passion is an attitudinal component of director engagement. Directors feel and exhibit passion by feeling strongly about purpose, by having ‘the guts’ to speak up, and a predisposition towards being willing to challenge the status quo. During one of the observations, I vividly recall directors being adamant and passionate about the discussion (on the topic of institutional investors and directors), their words, tone of voice and gestures making me feel the strength of their feelings. The *energy* necessary for engagement has physical (being able to do the work) and enthusiastic attributes, and influences director engagement by giving it life and affecting how it unfolds. As one chair (consumer goods) mentioned, ‘there is no engagement without energy’, as engaged directors bring their personal self to their role (Kahn 1990), requiring energy. The lack of energy, or emotional and cognitive absence, relegates directors to a state of ‘passivity’ (a term participants often mentioned), described in the literature as ‘disengagement’. However, passion and energy are not enough for engagement, as directors also need ‘consistent lines of activity’ in their behaviour (Stevens, Beyer & Trice 1978, p. 381), in other words, *commitment*. Evidence indicates that commitment unfolds through emotional attachment, a sense of duty and seeing one’s future with that company and in that role. In both cases it requires significant energy and passion. Examples of first-order concepts under this theme are:

- Feel strongly
- Have the guts
- Commitment
- Passion
- We need to be speaking up
- Willingness

Mindset

Mindset aggregates eleven first-order concepts related to directorial attitudes to risk, business, governance, life, money, prestige and investors. Directorial perception of purpose (their mental model) is an important predisposition or attitude to engagement. Since directors are essential in setting ‘the tone at the top’ (Knudsen, Geisler & Ege 2013, p. 240), their mindset towards purpose is critical for their engagement, as well as for engagement at board and investor level. Although directors are members of an elite group, a ‘down to earth’ mindset towards the role, and to life in general, is relevant, particularly in the context of Swiss society where equality is assuming greater importance and trust in business is low, both within and outside the Alpine nation. To my surprise, entrepreneurial spirit is relevant in understanding how directors of the largest Swiss listed corporations engage with purpose, although such spirit could be atypical for elite directors. Given an understanding of purpose as sustainable value creation, engagement requires a particular attitude towards risk-taking, management and mitigation, associated with an ‘entrepreneurial spirit’. In other words, engagement entails a positive predisposition towards the unknown, the uncertain and/or the risky, typical of value creation in an entrepreneurial *modus operandi* (Cardon et al. 2009), relating to opportunity, exploration and exploitation in uncertain and risky environments (Baron, 2008). Surprisingly, particularly for Switzerland - a conservative or traditionalist society (Altermatt 1979) - an entrepreneurial *mindset* emerges as relevant to engagement, despite the tendency to view directors as conservative, controlling and risk-averse (Adams 2016; Volonté 2015), information-processing actors who, collectively, ‘might not make much of a difference in many cases’ (Boivie et al. 2016, p. 348). A view of investors as sources of capital to be secured is also important, although what is particularly relevant to engagement is securing the ‘right’ sources of capital, or those aligned with corporate purpose, and ‘flipping the approach to investors’ plays a role. ‘Flipping’ refers to directors (chairs in particular) proactively establishing, nurturing and leading conversations with investors (rather than being on the receiving end or at their mercy), aiming to build long-lasting relationships with the ‘right’ shareholders. ‘Flipping’ is a predisposition towards investors requiring directors to proactively identify, attract and secure those who appear to be aligned with corporate purpose (and subsequently behave as such). Representative first-order concepts grouped under *Mindset* are:

- Down-to-earth
- Stand with both feet on the ground
- Entrepreneurial spirit
- Flip the approach to investors
- Being comfortable with taking risks
- Risk management
- Risk mitigation
- Money and prestige

Director Values and Beliefs

Second-order themes related to value and beliefs, the cognitive dimension of engagement, group 49 first-order concepts, and include *Thinking and Understanding, Beliefs, Personal Values, Knowledge & Insight,* which I present below.

Thinking and Understanding

This theme refers to directorial thinking and understanding as core cognitive dimensions of engagement, and results from collapsing 17 first-order concepts. *Thinking* relates to directors who 'think issues through', think 'totally different possibilities', out of the box, and help fellow directors and investors to do the same. Thinking also emerges as the ability to think in terms of 'systems', connecting disparate pieces of information and processing them in an integrated fashion, as a value-added element directors bring to the table via engagement. Thinking happens deliberately, when directors consciously use their memory to recall, apply or transform knowledge they possess to a specific situation or problem they or others face, or unconsciously, for instance, by connecting the dots, integrating at times very disparate topics or issues and generating new ideas. 'Integrated thinking' (a recurring expression used by participants) is an essential dimension of engagement, and shares many characteristics of systems thinking, although the term 'integrated' was possibly more on participants' minds due to current debates on 'integrated' reporting. Integrated thinking is relevant to engagement as it relates to the ability cognitively to integrate various parts of a whole. A view of the world as a system can be traced back to ancient Greece (Von Bertalanfy 1969), however there is no easy answer to the question of what constitutes a system or systematic thinking (Atwater, Kannan & Stephens 2008). In this study, integrated or system thinking emerges as a combination of capabilities focussed on the how and why of human behaviour, actual and potential perceptions, decisions, actions and reactions of a variety of stakeholders, including investors. It also refers to the ability to think (and understand) financial and 'non-financial' elements of purpose, and related ESG factors, in an integrated manner, as part of a system of running and governing a business. Finally, it includes a cognitive regard on the sustainability dimensions of purpose, as risks to mitigate and opportunities to grab, for innovation, new business models or customer segments, products or services. Integrated thinking had also been specifically mentioned by investors during an observation I conducted. On that occasion, a Head of Stewardship mentioned that directors do not usually regard integrated thinking among the top desirable skills: digital skills, and functional or industry knowledge, are ranked higher, as two recent board surveys also indicate (Cheng & Groysberg 2018; Harvey Nash 2018). Long-term thinking, (far beyond the Swiss-mandated, yearly directorial term), and short-term thinking are both necessary for engagement, as purpose entails both horizons. *Understanding*, another core cognitive capability involved in director engagement, takes the form of the capacity to comprehend and anticipate macro changes (and their effect on the company, its eco-system and industry), an activity at times regarded as very similar to looking into a crystal ball to predict the future, given the complex and uncertain context. Understanding macro changes is also relevant, as *how* value is created evolves over time, and can be constrained or supported by popular initiatives, political changes, regulation, social norms, consumer changes, natural resource depletion or technological breakthroughs. Understanding ESG is also critical to director engagement as ESG factors relate to the risks and opportunities of sustainable value creation, hence core business, and therefore strategically and financially relevant. Last, but not least, the data shows that engagement also occurs through the ongoing development of an in-depth understanding of the business and its industry, so that informed decisions can be made 'not only based on paper', ultimately contributing to the delivery of sustainable value creation. First-order concepts aggregated under this theme are:

Thinking

- Help thinking though issues
- Long-term, big picture thinking
- System thinking
- Think totally different possibilities
- Integrated thinking

Understanding

- Understanding and anticipating macro changes
- Understanding corporate purpose
- Understanding ESG
- Understanding the business

Beliefs

Beliefs aggregates twelve first-order concepts relating to how directors link an object to some attribute. Directors believe in adding value to the board, the company and society, in other words, share a ‘conviction’ (an expression participants mentioned quite often) about the importance of their role being ‘worth it’, otherwise, in the words of a director (healthcare), ‘why bother?’ Engagement also develops through a belief in making a difference as a key *raison d’être* of directors, and through earning respect and trust from fellow directors, investors, stakeholders and society, as part of this duty. A belief in governance as a value creation activity is also part of ‘being engaged’. This indicates a shift, as for decades, in and out of Switzerland, corporate governance has been regarded as a monitoring mechanism, value creation being mainly about the exercise of control over executives. Lastly, engagement unfolds through a belief that there is value in being proactive, particularly when engagement happens as a strategic activity and aims to bring the company into the future. As a director (telecommunications) remarked ‘waiting for questions’, from directors, investors or other stakeholders, does not sit well with engagement. Representative examples of first-order concepts grouped under *Beliefs* are:

- Directors who want to add value
- Earn respect and trust
- To make a difference
- What is governance about
- You don't get one single question

Personal Values

Personal Values aggregates twelve first-order concepts reflecting what directors consider to be their ideals and the most important (Rokeach 1973), desirable and abstract goals they strive to attain (Adams & Funk 2012). One's personal value system is an important cognitive resource of engagement. Participants used the expression 'value system' in relation to various goals and ideals. Among these featured accountability, or the importance of being accountable for one's actions, decisions and their justifications (Roberts, McNulty & Stiles 2005); achievement, or the quality of directorial activities and/or outcomes as evaluated by one's own standards of excellence (Heckhausen & Heckhausen 2008); and discipline, embraced as a value since childhood, both through family, and the Swiss schooling and military system; credibility, or one's personal credibility and that of the company; cultural fit, or the alignment between personal and corporate values; and respect and trust, to be earned through personal and professional endeavours. Ethical values, such as self-respect, respect for the community and society, and the importance of the natural environment as part of the Swiss psyche are also cognitive dimensions of engagement and represent values whose seeds are planted in directors since early childhood. As a director (industrials) remarked, 'In Switzerland, children learn to speak, walk and hike in the mountains. In this order. Nature is in our psyche'. Relevant examples of first-order concepts aggregated under this theme are:

- Achievement and discipline
- Credibility
- Cultural fit
- Earn respect and trust
- High ethical values (for instance respect for self and others, value of nature)
- Value system (for instance power to make a difference)

Knowledge and Insight

I collapsed eight first-order concepts into the theme *Knowledge and Insight*. Borrowing from Mannucci and Yong (2018), *knowledge* 'represents the fuel that feeds the engine of creative idea generation' (p. 1741), in the case of this study, idea generation of purpose. *Insight* refers to 'Aha! Moments' (Kounios & Beeman 2009), when directors suddenly reinterpret a situation, understand connections between topics, or when something long obscure becomes clear. Images of *knowledge* as 'fuel' emerge from the data with positive connotations and in relation to challenges. Knowledge about sustainable value creation is much broader than just knowing 'why we do what we do', as one director (industrials) indicated. It refers to the macro and Swiss context, societal challenges, norms and needs, stakeholder (including shareholder) aims and goals, the business, its people and industry, how to create value, ESG risks and opportunities. Insight emerges as 'Aha! Moments' concerning the hidden, or not-so-obvious connections between topics and problems, people and behaviours, ESG risks and opportunities. It is essential to engagement and requires a state of alert, directors needing 'to keep eyes and ears open on all fronts', as a director (healthcare) remarked. Insight can happen suddenly, or through several iterations and with intellectual 'effort'. Knowledge and insight require 'mental activation' (Cronin 2006, p. 2) of cognitive processes, or states and processes of the human brain (Kounios & Beeman 2009; Sternberg & Davidson 1995). Representative first-order concepts aggregated under this theme are:

- Awareness
- Knowledge of stakeholder aims
- Knowledge of shareholder aims
- Knowledge of societal changes
- Knowledge of all dimensions of sustainability
- Knowledge of the business
- Insight

Director Behaviour

Three themes relate to behavioural dimensions (intended and observed, as applicable) of engagement: *Proactivity*, *Authenticity* and *Asking Questions*, grouping in total 37 first-order concepts.

Proactivity

Proactivity refers to directors acting in advance, rather than waiting for things to happen, taking action to shape events (Grant & Ashford 2008; Lebel 2017), and emerges from 14 first-order concepts. Proactivity is about being active, interested, switched on, bringing up topics (including 'uncomfortable' topics), reaching out, communicating, being visible in and outside the organisation. As a chair (industrials) indicated, proactive directors 'see and do things before others'. Directors' proverbial passivity (Bezemer, Nicholson & Pugliese 2018; Pugliese et al. 2009; Van den Berghe & Levrau 2004) is ill-suited to engagement and appears to be evolving towards proactive behaviour. Hiding behind closed boardroom doors or reacting to events, rather than making a concerted effort to be proactive, is not appropriate for engagement, or how directors view their role in governance as a value-creating activity. In director engagement, proactive behaviour is directed towards enablers and constraints of value creation, such as fellow directors and stakeholders, institutions and society. In particular, proactivity towards investors means (particularly for the chair) taking action to engage with them about purpose and ESG topics; using investor feedback to reflect and evaluate; doing what is necessary to attract the right investors who align with purpose and the trade-offs it entails. Proactivity also emerges through its antonyms ‘reactivity’ and ‘passivity’, terms participants associated with ‘directors who only want to be compliant or conform, doing the bare minimum’ as a director (healthcare) remarked, or those who do not handle matters themselves, or wait for majority shareholders to ‘give them’ strategic objectives. Representative first-order concepts grouped under this theme are:

- Attracting the right investor
- Being active
- Changing the conversation
- Flipping the conversation
- Driving-pushing
- Seeing things before others
- Win over investors

Authenticity

In Shakespeare’s Hamlet (Act I, Scene 3), Polonius, the chief counsellor to the king, offers a definition of *authenticity* very similar to that which emerged from the data: ‘to thine own self be true’ (Shakespeare 2015, p. 39). This theme, collapsing 13 first-order concepts, refers to directors being their true self in their roles, and remaining true to their personal values in all they do. Engagement unfolds through authenticity when directors ‘walk the talk’ and ‘fight the fights that need fighting’, as a chair (industrial goods and services) indicated, ‘nudging’ other directors (including investors in the case of chairs), on issues they believe in deeply, as a director (insurance) remarked. Authenticity also relates to independently making decisions aligned with one’s own value system, being straight and hands-on, ‘rolling up your sleeves’, as a director (healthcare) noted, as being authentic is not a theoretical principle, rather a behaviour deeply rooted in personal values. Authentic behaviour is also necessary to build and nurture credibility. Examples of first-order concepts grouped under this theme are:

- A way we engage with purpose
- Do you walk-the-talk
- How you as director live those values
- Rethinking, self-questioning
- Fight the fights that need fighting
- Living down-to-earth

Asking Questions

Peter Drucker prophesied that 'the leader of the future will be a person who knows how to ask' (Goldsmith & Morgan 2004, p. 75), having answers being regarded as a core strength of leaders of the past. *Asking Questions* (and listening to the answers) is a distinctive theme of director behaviour, and aggregates ten first-order concepts. Asking questions is a behavioural component of engagement, and directors 'need to get over the illusion that asking questions is a sign of incompetence or inferiority', as one director (industrials) indicated. Building on the seminal work by Hirschman (1970), who first conceptualised voice, and drawing on Bashshur and Oc (2015), asking questions is viewed as a form of voice, as a 'discretionary or formal expression of ideas, opinions, suggestions', unfolding and taking shape via asking questions. How directors perceive the complexity, uncertainty and volatility of the context where they operate, the intricacies and difficulties of the topic of purpose, the necessity to know the business, the ability to anticipate and understand changes ahead, directors' bounded rationality or their 'incomplete and imperfect perceptions' of the environment (Smircich & Stubbart 1985, p. 726), make asking questions an essential part of engagement. This theme refers to asking questions on a variety of topics, asking for second opinions when needed, striving 'to become more and more professional', in terms of competence and character (Morgan Roberts 2005). Asking questions also implies seeking advice, 'collecting good information', researching topics, issues or ideas, asking questions of people and data by digging into specific aspects of purpose. Asking questions also demands the courage to speak up in and outside board meetings, although the quality of the speaking up is also crucial. As a chair (industrials) indicated, referring to feel-good platitudes, generally without much content and made to impress, ‘Engagement requires directors to speak up with intelligent remarks or questions, rather than these motherhood statements…I hate them...I just hate them, I really get itchy with those comments’. Selected examples of first-order concepts collapsed under this theme are:

- Asking questions
- Asking for second opinions
- Becoming more and more professional
- Collect good information
- Digging in the data
- I dared to speak up
- Seeking advice

DIRECTORIAL CONTINGENCIES

Directorial contingencies are distinctively human factors and conditions influencing engagement, similar to the meaning attributed by Owens and Hekman (2012) to situational contingencies. Directorial contingencies include six themes, *Personality, Director Role Identity*, *Competence*, *Motivation*, *Generational Shift* and *Time*, grouping 64 first-order concepts.

Personality

Personality groups 17 first-order concepts, relates to a set of relatively stable traits, and includes other constructs such as courage, volition or character. Although the literature regards them as separate concepts, I chose to group them together in personality and keep as close as possible to the meaning emerging from the data, as they refer to human traits ‘predictive of performance’ (Schmitt 2014, p. 46), in this study’s case, predictive of engagement. Among personality traits influencing engagement are courage, ‘opposing or branching out from the status quo, (…) and the courage to be' (Detert & Bruno 2017, p. 599), and resilience, resilient directors being 'at the mercy of nobody, whether an investor, a tweet or a CEO', as a chair remarked. Another relevant personality trait is character, or *Charakter*, which in German refers to the totality of features and traits of a person, as opposed to the English word *character* implying a 'single, distinctive feature' (McDougall 1932, p. 5). Beyond specific lexicon, directors with personality have and display strength of character, which grows with effort, hard choices and discipline, all relevant to engagement. Borrowing from Goethe, character forms through individual development, by 'taking part in the stream of the world, in the battle of life' (McDougall 1932, p. 9), images of fights and battles recurring in participants' accounts. Representative first-order concepts under *Personality* are:

- Courage
- *Courage d'esprit*
- Being determined
- A particular way of feeling what I do in the board
- Strength of character
- Striving to achieve
- Resilience

Director Role Identity

Director Role Identity, the second directorial contingency, results from collapsing 11 first-order concepts, and refers to how directors 'see themselves and the work they do' (Reay et al. 2016, p. 1044). It is intrinsically relational, as directors define and enact their roles in relation to others, and is closely associated with and influenced by directorial duties according to Swiss law (as elaborated in *The Swiss Context*). Role identity assumes different configurations because directors enact different roles (monitoring, strategy, support, advice) and at times have different positions in different companies, sometimes running in parallel (for instance executive and non-executive). Role identity sees purpose as part of the directors' mandate, the company living up to its purpose being as critical as purpose itself. Leading the company, its strategy and people, anticipating and identifying risks and opportunities, and ensuring governance arrangements are in place also belong to role identity, which is filled with responsibilities. In particular, independence is viewed as a core component of director identity, independence of mind being viewed as essential to engagement (while investors remain more focussed on structural independence). Representative first-order concepts grouped under this theme are:

- Lead the company, the strategy, the culture and the people
- Anticipate externalities
- Deliver financials
- Define and shape the values of the company
- I see purpose as a key part of your mandate
- We are the captains of the ship. We are filled with responsibilities.
- I make sure the company lives up to its purpose

Competence

Competence aggregates 19 first-order concepts and refers to a combination of expertise, decisiveness and confidence (Owens & Hekman 2012). Conceptually, competence includes knowledge, skills and abilities, and an appropriate mix of directorial competence and experiences is seen as necessary to engagement. Competence also entails the capacity to have an impact and make a difference, in other words efficacy, or the ability to deliver the level of performance and effort that engagement requires (Haleblian & Rajagopalan 2006; Wood & Bandura 1989). 'Intensity of tenure' rather than tenure per se builds competence, because engagement requires intensity and proactivity, which nurture competence, as opposed to 'sitting there a number of years and doing the minimum required', as a vice-chair (telecommunications) remarked. Competence also develops through education as a process of continuous learning, where directors have access to informants and information, and develop knowledge and integrated thinking across all dimensions of purpose. Directors engaging with purpose as corporate development do not see themselves as exempt from this process, while those operating in a mode of conformity and compliance view education as something already done and accomplished. This is important because the greatest benefit to corporations and society is derived from directors eventually engaging with purpose as corporate development while also conforming and remaining compliant and optimising resources. Business schools and academics, rather than consultants, can help directors build competence. Business schools are regarded as important for building a pipeline of directorial talent, as future directors developing competence at a younger age can bring this to bear upon their election. Academics can also play a central role as informants and advisors who can share knowledge of scientific research on topics related to purpose (from gene therapy to cyber security, data privacy, climate transition or social inclusion), as long as scholars possess the ability to translate research findings into practical advice in a language that directors can understand. In particular, academics with corporate and/or board experience can be beneficial to directorial competence, as understanding what it means to run or govern a business in practice helps in building bridges. Examples of relevant first-order concepts grouped under *Competence* are:

- Background (educational and professional)
- Intensity of tenure
- Different experiences
- Direct access to people
- People with impact
- Directors need education
- We need integrated thinking
- How do we go from macro-trends and ESG issues to strategy?
- Understanding ESG materiality and how it changes

Motivation

The third directorial contingency, *motivation*, groups seven first-order concepts and emerges as closely linked to passion (Bierly, Kessler & Christensen 2000). Participants view motivation as the sum of factors sparking directors' interest in wanting to serve on a board and the extent to which they want to excel at their duties. Motivation is multidimensional, and includes personal reputation, ambition, money and prestige, learning, gaining industry and board insight, answering 'a call to duty', and bringing the company into the future. Representative first-order concepts of this theme are:

- Learning
- Personal reputation
- Prestige and money
- To bring the company into the future

Generational Shift

The fifth directorial contingency is *Generational Shift* and aggregates six first-order concepts. I labelled this theme in this way as it highlights the changing nature of age, among directors and as a force of society. The average age among directors participating in this study was 59. A clear shift in age groups emerged, with younger directors elected in their 40s or 50s, rather than their 60s or 70s. There are now many directors with millennial and generation Z children or grandchildren, born respectively in 1981-1996 and 1997-2012 (Pew Research 2019). Exposure to younger generations is important, whether through family proximity or otherwise, as these generations 'grow up with sustainability in their DNA' as one director (food and beverage) indicated and are reported to have a different set of values, authentic living being their mantra (Daneshkhu 2018). They value making a difference to the world, nature, transparency, travelling, and being active in the community and society. Older age does not necessarily imply less energy and passion for engagement, as older directors can be as engaged and 'switched on' as younger ones, while younger directors can be motivated by money and prestige, keeping engagement at the 'bare minimum', as they pursue their careers, avoiding risks. Examples of first-order concepts under this theme are:

- Age is evolving
- Exposure to younger generations
- Older does not mean less engaged
- A generational shift is happening

Time

Time refers to time availability and emerges from collapsing four first-order concepts. Director engagement requires time, and availability well beyond the average five or six board meetings for which directors might be contracted in any given year. Availability of time is critical to engagement, because engagement is 'time-intensive'. Extra meetings, sessions, workshops, conference calls, and activities in the business 'on the ground' together easily exceed the 'officially contracted time'; they require time and represent an intense part of directorial service. Asking for extra compensation 'is out of the question', as it is regarded as 'against the spirit of serving on boards' as one director (healthcare) noted. First-order concepts grouped under time are:

- Availability is critical
- We are not contracted for five meetings
- You need a considerable budget of time

GOVERNANCE CONTINGENCIES

The governance contingencies of director engagement are four second-order themes, *Chair*, *Board Structure and Board Process*, *Integrated Reporting*, *Public and Private Ownership*, grouping 80 first-order concepts in total. I will now present each theme.

Chair

Chair aggregates 40 first-order concepts. This theme refers to two specific chair activities contributing to engagement: director selection and engagement with investors, while other themes refer to more general behaviour of the chair (for instance *Board Structure and Board Process*). Director selection is ‘the first ingredient’ of engagement: as one chair (industrials) mentioned, as ‘to bake a great cake you start with quality ingredients’. Leblanc (2003) adopts the term ‘board membership’ in relation to how directors are recruited, the competencies they possess and their compensation structure. I, however, prefer the term ‘director selection’, in part because participants used it and, importantly, because my focus is on the process of selecting members of the board (as opposed to their membership status). Selecting directors is a core duty of the chair, and is relevant to engagement, because lining up the ‘right directors’ contributes to making engagement happen, where ‘right’ refers to those possessing, applying and sustaining the set of attributes presented so far. The second, critical activity of the chair is engagement with investors. Personal, proactive and regular engagement with investors is strategic in nature and conducive to director engagement. It is strategic because engaging with investors involves distinctive components relating to time, relations and goal achievement (Schyns, Wisse & Sanders 2019), in other words, because the topics in question relate to purpose as sustainable value creation, and, ultimately, corporate development (Judge & Talulicar 2017; Stiles 2001). These can include mega and industry trends, societal and political developments, diversity, corporate strategy, stakeholders' expectations, technology. Engagement with investors is also seen as an opportunity to 'take soundings' on topics, decisions or changes under consideration, although chairs must obey the Swiss-mandated principle of equal treatment of shareholders and the directorial duty of non-disclosure of insider information. Feedback on these activities to other directors is essential and contributes to keeping directors engaged and informed about relationships with investors, or as one director (insurance) indicated 'what they are worried about or happy with'. Feedback can move directors towards engagement as corporate development, given the importance of investor 'buy-in' to strategy and the ultimate direction of the business. Investor engagement at chair level runs in parallel to traditional investor relations at C-level (CEO, CFO and/or their teams), as these generally focus on financial performance and outlook. Chair engagement with investors is also linked to 'flipping the conversation', an expression presented in previous sections. Most importantly, small investors, by which I mean significant shareholders (as per SIX regulations presented in *Interviews* above) holding less than 5% of voting rights, do not have to be content with information available in annual reports or quarterly updates, or with interactions with investor relations, as small investors can demand director attention if certain conditions are met (I will examine this further in the next sections).

Examples of first-order concepts aggregated under the chair theme are:

- The chair is a driving force
- Recruitment of directors
- Deep induction
- Diversity
- Replacing directors
- War for board talent
- Ask directors to leave
- Engagement with investors
- Proactive, regular communication and meetings with investors

- The chair runs regular, strategic meetings with investors, globally
- I talk strategy, mega trends
- I talk to large and small investors, including low single digit ones
- Keep attracting the right investors
- Feedback on investor meetings

Board Structure and Board Process

The themes *Board Structure* and *Board Process* aggregate 20 first-order concepts (seven and 13 respectively) and act as governance contingencies influencing director engagement. Since they are closely linked and influence each other, I kept them grouped together. Board structure relates to the size and composition of the board, its leadership structure, the type and number of committees and sub-committees. Board process refers to the working of the board and how it carries out its duties. Structurally, board elements influencing director engagement are committees and other formal structures, particularly advisory boards and stakeholder boards, 'built around purpose'. At the point of data collection, some directors were experimenting with these structures, their views reflecting 'work in progress' experiences (with the exception of one company where a stakeholder board is already well established). These structures emerge as forward-looking and topic-focussed. Borrowing from Boivie et al. (2016), structures around 'punctuated' (p. 346) topics are conducive to director engagement, 'punctuated' referring to, for instance, 'pressing issues' (Aguilera, Judge & Terejensen 2018, p. 101) such as sustainability and ESG, or their specific dimensions, such as climate change, human rights, cyber security and data privacy, urbanisation, technology, artificial intelligence or robotics. Members of these structures include directors (committees), a mix of external experts and directors (advisory boards), and a mix of directors and key stakeholder representatives (stakeholder board). Meetings are regular and face-to-face, require the attendance of the chair (at least twice a year) and of the CEO (quarterly). Objectives are set by or in agreement with the board; members have to engage with the organisation to deliver results; escalation paths are agreed and enacted and have formally established feedback loops to directors and/or the company (depending on the topic). Sustainability and related ESG factors have recently given rise to a new consulting industry (Edgecliffe-Johnson 2019) which makes directors sceptical about consultants, particularly on standards and materiality. Directors prefer to invite eminent representatives from the sciences, rather than consultants, to join stakeholder and advisory boards. As a chair noted, ‘we need people at the forefront of research in the field’; however, scholars also need to possess significant corporate experience. These experts are neither members of the board nor consultants, but rather trusted special advisors. They support director learning and decision-making, and thus engagement. As for *Board Process*, including purpose in its various dimensions as a formal agenda item supports engagement, together with a board culture which effects engagement through a common understanding of purpose, supportive of transparent and open discussions, where directors do not feel judged if they ask questions or seek help, and where purpose is seen as ‘director business’. The quality and frequency of board meetings is also important, for engagement requires more than a few meetings per year, as is depth of discussion. Relevant first-order concepts grouped under this theme are:

Board Structure:

- Board committees
- Direct access to the board
- Formal structures around sustainability and ESG
- Structure around purpose
- Who is in charge

Board Process:

- Agenda topic
- Board culture
- Board discussions
- ESG risk and opportunities

- Board meetings
- Board-CEO relationships
- Disclosure, transparency

Integrated Reporting

The theme *Integrated Reporting* emerges from collapsing together 13 first-order concepts. Despite challenges, ESG is already a mainstream interest among investors, and is expected to become one also among directors. The lack of globally accepted ESG standards of measurement 'is worrying' as one director (industrials) remarked, and 'it does not look like the situation will improve any time soon', as another director (healthcare) noted. In some areas, such as human rights, globally accepted standards do exist (for instance those set by the OECD and the UN), and in these cases the problem is therefore how to apply them, although help is available (at government, academic and NGO level), if one wishes to do so. In many other ESG areas, directors, and investors, face hundreds of competing standards which remain separate from financial reporting. Financial reporting is in itself a tool no longer fit for purpose in the twenty-first century, where sources of, and impact on, value creation can take the shape of human, social or natural capital and factors: 'hence, we need to go beyond a financial view of how the business is doing' as a chair (food and beverage) indicated. Standardisation is an enabler of integrated reporting. Participants advocate for integrated reporting to be based on global ESG and financial standards, and to be truly integrated. The meaning of 'integration' emerges as being quite different from the current understanding, where it means the inclusion of non-financial reporting in a company's annual report. According to the EU Non-financial Reporting Directive II (EU 2014) which came into effect in 2018, and the succeeding Non-binding Guidelines (EU 2017a), which are also relevant for Switzerland, environmental and social matters are to be reported separately from, or in separate sections of, financial statements, rather than fully integrated (i.e. accounted for in the figures) into the same financial reports, a structure which urgently needs to be adapted to our time. As for governance matters, the EU directive and guidelines emphasise structural elements (director age, gender and background), and the provision of governance reports which remain separate from (even when included in) financial statements and annual reports, although non-structural governance elements are also relevant to engagement with corporate purpose (as presented so far). Despite the lack of global standards, ESG disclosure is an important step forward, but in its current form it is not enough to support director engagement so that corporations can create value for society as well as for investors. Examples of first-order concepts grouped under this theme are:

- ESG will go mainstream
- ESG standards of measurement
- Integrated reporting
- Non-financial reporting
- Standardisation
- ESG indicators are needed

Public and Private Ownership

The theme *Public and Private Ownership* groups seven first-order codes. Although in this study I kept ownership type constant (i.e. listed companies), in the second-level analysis a theme of ownership emerged. Ownership is expected to affect decision making (Jensen & Meckling 1976); is important for company performance (Fitza & Tihanyi 2017); is the object of increasing interest in governance (Kumar & Zattoni 2017, 2019; Licht & Adams 2019); and emerges as relevant to engagement. This theme surprised me in two ways: firstly, it functions as a governance, rather than an organisational, contingency; secondly, its meaning was unexpected. Given the *Chair* theme, and the centrality of chair engagement with investors to director engagement, *public and private ownership* functions as a governance contingency, or is regarded as 'strictly governance', as scholars have also argued (Clark, Murphy & Singer 2014; Forst, Hettler & Barniv 2019). In other words, it is not a contingency existing somewhere in the structure of the company, but rather an important aspect of the overall governance of the corporation and is managed at board (chair) level. Views of public ownership as the most difficult environment for director engagement to flourish (a view I shared until I started data collection and my understanding developed) have little support in fact. Directors face different challenges, tensions and issues in public and private ownership, but engagement is seen as possible in both, as 'both types of ownership need to be managed', as one chair (industrial goods and services) indicated. Examples of relevant first-order codes grouped under this theme are:

- The argument does not hold
- Director engagement is possible in both
- Private owners can be the best and the worst
- In public ownership you have different tensions
- What counts is the chair, director values and behaviour

ORGANISATIONAL CONTINGENCIES

Two second-order themes emerged as organisational contingencies of engagement, namely *Industry* and *Culture*, resulting from collapsing 11 and two first-order concepts respectively.

Industry

The data indicates that purpose matters in any industry. 'It is industry neutral', as a director (telecommunications) and a chair (food and beverage) remarked. For a while, I remained convinced that industry *should* matter. For instance, some industries such as banking and insurance, or food and beverage, are more exposed to regulation and consumer scrutiny. As I reflected on the data, triangulated the evidence with observations and documents, and dwelled on my field-notes, I began to realise that I was trying to find in the evidence confirmation of my expectations. I had fallen victim to my own bias. This was an ‘Ah!’ moment, and I realised that the evidence clearly indicated that engagement does not depend on industry, or at least not in this study. In the interests of transparency, I show below representative first-order concepts aggregated under this theme. At this point, however, I decided that industry was not going to feature in the engagement model of this study:

- Purpose cuts across all industries
- It is industry-neutral in a way
- Some industries began earlier than others

Culture

The second organisational contingency is *Culture*, by which I mean organisational or corporate culture, both terms being in common use (Hsieh et al. 2018). Culture is seen as the product of the company's history, its failures and successes, its resilience, the actions and behaviours of the leaders who have shaped, do shape and will shape its past, present and future. As one director (financials) noted, 'Culture must be something you can be proud of and influence'. Culture emerges as the spirit of the company, 'the way this company works', as a chair (consumer goods) noted, and as the set of values it stands and is known for. Culture influences engagement in two ways: via director selection, as affinity between culture and personal values is an important cognitive component of engagement, and via motivation to join and remain on the board, which acts as a directorial contingency for engagement. The two relevant first-order concepts grouped under this theme are:

- The spirit, the culture of the company
- Values, culture of the company

INSTITUTIONAL INVESTORS

Five second-order themes emerged in relation to institutional investors and how their stewardship contributes to director engagement. The themes are *Investor Heterogeneity*, *Investor Behavioural Integrity*, *ESG*, *Proxy Advisors* and *Small Investors*, grouping together a total of 73 first-order concepts.

Investor Heterogeneity

Investor Heterogeneity groups 32 first-order concepts relating to investor differences in how stewardship is enacted and how investor engagement occurs. Evidence indicates that, in investor heterogeneity, the only homogeneous factor is how stewardship is perceived, namely as being about *value* maximisation, in other words maximising returns for the assets under management, while the individuals and enactment of stewardship remain highly diverse. Participants view stewardship as being about maximising returns. Stewardship thus emerges as being about neither moral nor ethical considerations. While there is homogeneity as to the meaning of stewardship, heterogeneity in the types and aims of investors translates into differences in stewardship behaviour, which in turn influence when and how director engagement happens. Some investors actively seek personal dialogue, others prefer to write emails or letters, and still more use proxy advisors' services. Directors face all these different approaches, alongside universal and non-universal investors: those that due to size and diversification can be regarded as 'invested in an economy as a whole' (Lydenberg 2007, p. 467), and are assumed to be champions of long-term engagement, and others interested in short-term gains. Investors include those who invest in stocks and those who 'invest in companies', as one investor (Asset Manager, Switzerland) remarked; those 'algorithm-driven, making decisions behind a screen' as a director (healthcare) noted; and those valuing (and possessing) insight and knowledge about companies, and personal relationships (beyond financial information), and those who do not. Investor approaches vary between two extremes, from 'hard' approaches (also referred to as 'attacks' or 'confrontational') to 'soft' approaches. 'Soft' is the approach directors perceive as most constructive and collaborative, as 'hard' approaches are usually combined with investors leveraging the media to their advantage. Investor engagement is driven by an existing or potential problem (a worry about stranded assets, or financial performance), or the routine selection of engagement targets in the belief that it will increase company value. When investors engage because they view this exercise of stewardship as a fundamental element of their investment process and branding, or in response to proactive chairs leading strategic engagement from the company side, they support director engagement beyond box-ticking or resource-optimisation initiatives and move towards corporate development. Investor and investment size do not appear to play a role either in investor decision to engage or in director engagement. Hence, directors face large and small investors who can equally drive engagement 'of quality', and influence director engagement as a strategic endeavour. Representative examples of first-order concepts grouped under this theme are:

- Good stewardship is increasingly important
- Stewardship is trying to enable constructive dialogue with companies
- The endgame of stewardship remains value, maximising returns
- Buying the story
- Investor pressure us, they want to know
- Shareholders start a dialogue
- Activist shareholders
- Box tickers
- Sustainable investment
- They have different incentives
- Lack of knowledge
- 360 degree view on boards and companies
- Generalists have a hard time going beyond financials.

Investor Behavioural Integrity

Investor Behavioural Integrity groups 12 first-order concepts related to directors' perceived pattern of alignment between investor words and deeds (Simons 2000). In management theory, it is acknowledged that there is a difference between what people do, say and mean (Li 2017), a difference which emerges from the data of this study as a directorial concern. Directors worry about investors 'not doing what they say' as a director (insurance) remarked, and wonder to what extent investors live by their words. They question whether all the talk about sustainability and ESG factors is just marketing hype, or whether investors really believe in it. Directors can only verify if actions and words are aligned, through investors' filing resolutions (which in Switzerland are regulated in companies' articles of association), and, more often, through their voting at the AGM. Although investors seem to be increasingly interested in ESG topics, many are 'not doing what they preach', as a chair (insurance) remarked. Here again, investor and investment size do not appear to play a role, as large and small investors can both 'talk and act differently'. Small investors who place ESG at the heart of their investment strategy, their branding and market positioning do act with behavioural integrity, not only in terms of 'walking the talk' but also in the quality and detail of their engagement disclosure. Concerning investor size, as the *Financial Times* recently reported, 'The scale players, the story goes, will inherit the earth: this is the age of BlackRock, Goldman Sachs, Allianz and Blackstone. (…) It is precisely the wrong conclusion' (Ruffel 2019). In asset management, although scale matters, for instance in the delivery of benchmark-matching performance, it does not matter with regard to how stewardship influences director engagement. Size matters less. What matters more is the stewardship approach (engagement), behavioural integrity and investor knowledge. Examples of first-order concepts collapsed under this theme are:

- Many investors do not do what they say
- They talk a lot but actions do not follow
- Care and act accordingly
- Do what you preach
- A long-term view means trade-offs
- Their declaration on ESG
- What matters less is size

ESG

This theme groups 11 first-order concepts related to ESG topics, including materiality, financial and non-financial matters, and standards (or the lack of). Although ESG topics are not new, up until a few years ago ‘there was silence around them’, as a director (industrials) indicated. Meanwhile, ESG topics feature on investor engagement agendas and chairs’ strategic roadshows, representing a set of risks and opportunities affecting companies’ capacity to create value, and therefore relevant to director engagement with purpose. As one director (healthcare) noted: ‘when we talk to investors, ESG is becoming the centrepiece of the table’, and ESG represents a ‘long-lasting trend in our society’, as participants have noted. Among these topics are technological developments affecting production; depletion of natural resources and the search for alternatives; how these affect financial performance; relations with and engagement of employees; company’s attractiveness to customers, investors, communities and other stakeholders; and transparent reporting on the value directors add to the company, and on how they ensure their organisation’s ability to create value and attract talent (including future directorial talent). Investors and directors face hundreds of different standards, including several competing ones. On the single, broad topic of climate change, ‘we face an alphabet soup’ of frameworks, lamented a chair (industrials). The lack of globally accepted standards hinders future development of director engagement beyond a mere tick in the box. Examples of first-order concepts collapsed under this theme are:

- ESG as long-lasting trend
- Financial versus non-financial matters
- There are no globally accepted standards
- ESG materiality

Proxy Advisors

Proxy Advisors aggregates 11 first-order concepts in relation to their role in investor stewardship (which I was expecting) and their effect on director engagement (which caught me by surprise). Institutional investors use proxy advisors (hereafter also referred to as 'proxies') for advice, research and recommendations on voting. Proxies rarely seek dialogue with companies, and only a few directors reported having recently reached out to them, been contacted, or having met them in person. Those who did discovered how little the proxy representatives knew about the company, its purpose, strategy, or even who the board members or the CEO were. Proxies and their clients (the investors) can also have divergent opinions. When this occurs, director engagement remains a compliance and conformity exercise. When approached individually, proxies traditionally oppose certain discussions or decisions (for instance those regarding executive remuneration or director re-election), although when directors speak personally to investors on the same topics, the investors see the rationale of the proposed change or decision, and sometimes profess to agree. Actual voting at the AGM, however, can still turn out quite differently, depending on whether and how proxy services are used, namely as an add-on or the main criterion for investor decisions. Although some large investors have reduced their reliance on proxy advisors (EU 2017a, b; Ferrarini & Ungureanu 2018), others including in particular the majority of small investors continue to rely on their services as a cost-effective alternative to engagement. Nonetheless, the more investors and directors engage in constructive dialogue on topics related to purpose, the more the rationale for investors to rely on proxies will fade. As the importance for investors of insight and knowledge of investee companies grows, becoming a core element of their investment process, market positioning and branding, it is expected that fewer investors will make use of proxy advisors. In this study, the Swiss Asset Manager makes no use of proxy advisors (and indeed never did), an investment strategy that directors appreciate, as it demonstrates the importance of engagement in its stewardship approach, and is aligned with a ‘soft’ engagement style, a distinctive attribute of this investor, and one which enables director engagement as corporate development. Other small investors, such as those grouped in the Pension and Utility Funds Foundation (Switzerland) have joined forces in their ‘hard’ engagement approach with proxies. Despite having won a few battles in relation to executive compensation (particularly since the Minder initiative, the Swiss Say on Pay referendum), their stewardship contributes to keeping engagement at a box-ticking level. In general, proxies remain a force not conducive to director engagement as a strategic activity, but rather a factor for director compliance or conformity ‘to get the vote through’ at the AGM. Representative first-order concepts grouped under this theme are:

- They rely on the services of proxies
- They follow proxies
- Proxies are box tickers
- They have huge influence on investors and regulators
- They do not talk to us
- We speak to them. They rarely understand what our company does.

Small Investors

Small Investors is a theme grouping seven first-order concepts. Although small investors have appeared in other themes presented in previous sections (for example *Chair*, *Investor Heterogeneity* and *Investor Behavioural Integrity*), this particular theme relates to key attributes of small investors, their behaviour and their influence on director engagement. Investor and investment size do not appear to play a role, as small investors are also able to make director engagement happen as a strategic activity related to purpose. Engaged investors develop trust in directors and, in turn, need to be trusted, because information, and eventually influence, travel through this avenue of trust. To demand directorial attention, small investors must demonstrate knowledge, because it is through this that they build a professional image, which, coupled with rigorous follow-ups, keeps directors engaged on the ‘big topics’, such as value creation as a strategic activity. I use the term ‘professional image’ in broad terms, as the extent to which an investor identifies with his or her profession and values (Morgan Roberts 2005), which may include preserving and enhancing the value of the assets entrusted to one’s care (stewardship), and a responsible investment approach (ICGN 2017). Precisely because of their size, small investors need to and can work ‘smarter’ than others, in terms of building access to power (directors) and influencing chairs on the merits of topic relevance and knowledge, through a soft approach to engagement. Their capacity to affect change directly is limited, yet indirectly they are significant. They compensate for the limited size of their holdings and voting rights with the quality of their stewardship. What directors discuss and learn though them benefits director engagement with them and with other investors. Given their size, however, they need to be very selective in picking target companies and directors for engagement activities. When they leverage the press (alone or in coalition with others) to put pressure on directors, they risk obtaining the opposite result, and director engagement can move into conformity or compliance, as directors ‘close ranks’, and dialogue breaks down or remains superficial. Examples of first-order concepts grouped under this theme are:

- Use of soft power, constructive approach
- They are credible, although they are small
- Knowledgeable
- Professional image

TENSIONS

Short-termism and Long-termism

As mentioned in previous themes, tensions exist between long-term goals, and the pressure and human tendency to focus on short-term performance (Kern & Smith 2008; Starbuck 2005, 2014) but surprisingly purpose emerges with both short- and long-term dimensions. The theme *Short-termism and Long-termism* groups 26 first-order concepts related to the challenges directors face in reconciling the two, and how these affect engagement. Short-termism has been defined as ‘the tendency of corporate managers to sacrifice long-term investments to improve short-term earnings’ (Aspara et al. 2014, p.667), while by long-termism I mean directors’ tendency to occupy themselves with long-term prospects, potentially losing sight of short-term performance. Institutional investors do not in themselves necessarily cause short-termism, but a particular type of investor behaviour, only interested in short-term gains, without much consideration of their context and how sustainable they are, can exacerbate the human tendency for directors to act in a short-sighted way, for instance defaulting to a position of conformity or compliance. This happens if directors (and chairs in particular) perceive the short and long term in binary terms, rather than one being conducive to the other, and the chair does not lead strategic engagements with investors. ‘Earn the right to long-term’ encapsulates the tensions emerging between short- and long-termism: these tensions are about a short-term that must be conducive to the long-term, and that long-term is a right directors have to earn. In this respect, director engagement can act as a mechanism for reconciling such tensions, as long as engagement moves towards and remains a corporate development activity grounded in consistently delivering a short-term that is conducive to the long-term.

Examples of first-order concepts grouped under this theme are:

- Human nature
- Earn the right to long term
- Directors behaving myopically
- Choose the short term that fits your long term
- You are robbing your long term future
- I am long term but I am short term too
- Short-term impulses can be managed, if you wish to.
- You run the company well when your short term leads to your future.

OUTCOMES

Three themes map out strategic actions and potential outcomes of director engagement, beyond directors' conformity and compliance, namely *Board Engagement, Institutionalisation of Corporate Purpose, Trust and Reputation,* collapsing a total of 15 first-order concepts.

Board Engagement

In this stage of analysis, director engagement began to appear as neither a linear progression, nor an engaged/disengaged dichotomy. The data indicates that for corporations to create value for society as well as for investors, beyond individual directors, engagement of the board as a group is needed. In doing so, boards face difficulties that constrain or limit their ability to engage. Although it is beyond the scope of this study to examine these factors, the main barriers appear to be director engagement as conformity and compliance; boards too comfortable with the status quo, blindly trusting information from the CEO and the top team; the lack of a common understanding of purpose and its centrality to the company's existence; and the board's inability to make decisions based on large amounts of complex information, in other words a malfunctioning of the board as an information-processing and decision-making group. Board engagement emerges from the aggregation of three first-order concepts, namely:

- Engagement of the board
- Board power to make a difference
- Barriers

Institutionalisation of Corporate Purpose

The institutionalisation of purpose emerges as a potential outcome of board engagement, encapsulating what is needed for corporations to create value and directors to make a difference. The expression was used in relation to TQM (Total Quality Management) examples. Some aspects of the story of TQM illustrate the type of evolution purpose needs to undergo in order to become an essential part of an institution, i.e. moving from a novel or nice idea subject to interpretation, to a general understanding and acceptance that this is a core aspect of business management and the responsibility of everyone involved, as Armand V. Feigenbaum, a quality management expert championed (Dale et al. 2016). This analogy resonated with me, and helped me visualise what the institutionalisation of corporate purpose might look like at a practical and a theoretical level. The Oxford English Dictionary defines to institutionalise as ‘to render institutional; to convert into or treat as an institution’, and institution as ‘an established law, custom, usage, practice, organization, or other element in the political or social life of a people’, while to embed is defined as ‘to fix firmly’ (https://www.oed.com). According to Meyer and Rowan (1977), through the process of institutionalisation ‘social processes, obligations, or actualities come to take a rule-like status in social thought and action’ (p. 341), and thus an institutionalised purpose acquires objectivity and exteriority. Objectivity boils down to acts embedded in social structures, supported by a common understanding of what (in this case) purpose means, making it independent of people or situations (Li 2017). Exteriority relates to acts seen as belonging to humanity, to the world, and therefore no longer dependent on individual understanding (Meyer et al. 2018; Zucker 1977). Board engagement can lead to the institutionalisation of purpose and, through institutionalisation, purpose can become embedded in the social structure (Li 2017; Zucker 1977), thus beyond the specific context of directors or corporations. Examples of relevant first-order concepts grouped under this theme are:

- Institutionalise purpose
- An important step to get there
- Purpose will have a significant impact on society, business, investors and regulation
- A theme of our world

Trust and Reputation

An additional potential outcome of director engagement emerges as *Trust and Reputation* at individual and company level, a theme grouping five first-order concepts The data indicates that trust is associated with meeting informal and formal obligations ‘as a minimum’, and strengthens with corporate development activities that create value, and ensure the company’s capacity to continue to create value. Engagement is viewed as a trust-building mechanism at both personal and corporate level. Trust has been described as the most essential judgement one can make about a person or an entity, and a core feature of interpersonal relationships (Ferrin, Dirks & Shah 2006; Tasselli & Kilduff 2018). Trust and reputation emerge as products of rational judgements, and emotional and affective evaluations (Park & Rogan 2019; Pollock et al. 2019). Through trust, directors can build a reputation for themselves and the company. When director engagement evolves from conformity and compliance into corporate development, it builds trust and reputation. Factors such as meeting informal and formal expectations, competence, personality, character, motivation, authenticity and integrity, all build trust and reputation; in other words they make directors and companies ‘known for something’ (Lange, Lee & Dai 2011). Relevant first-order concepts grouped under this theme are:

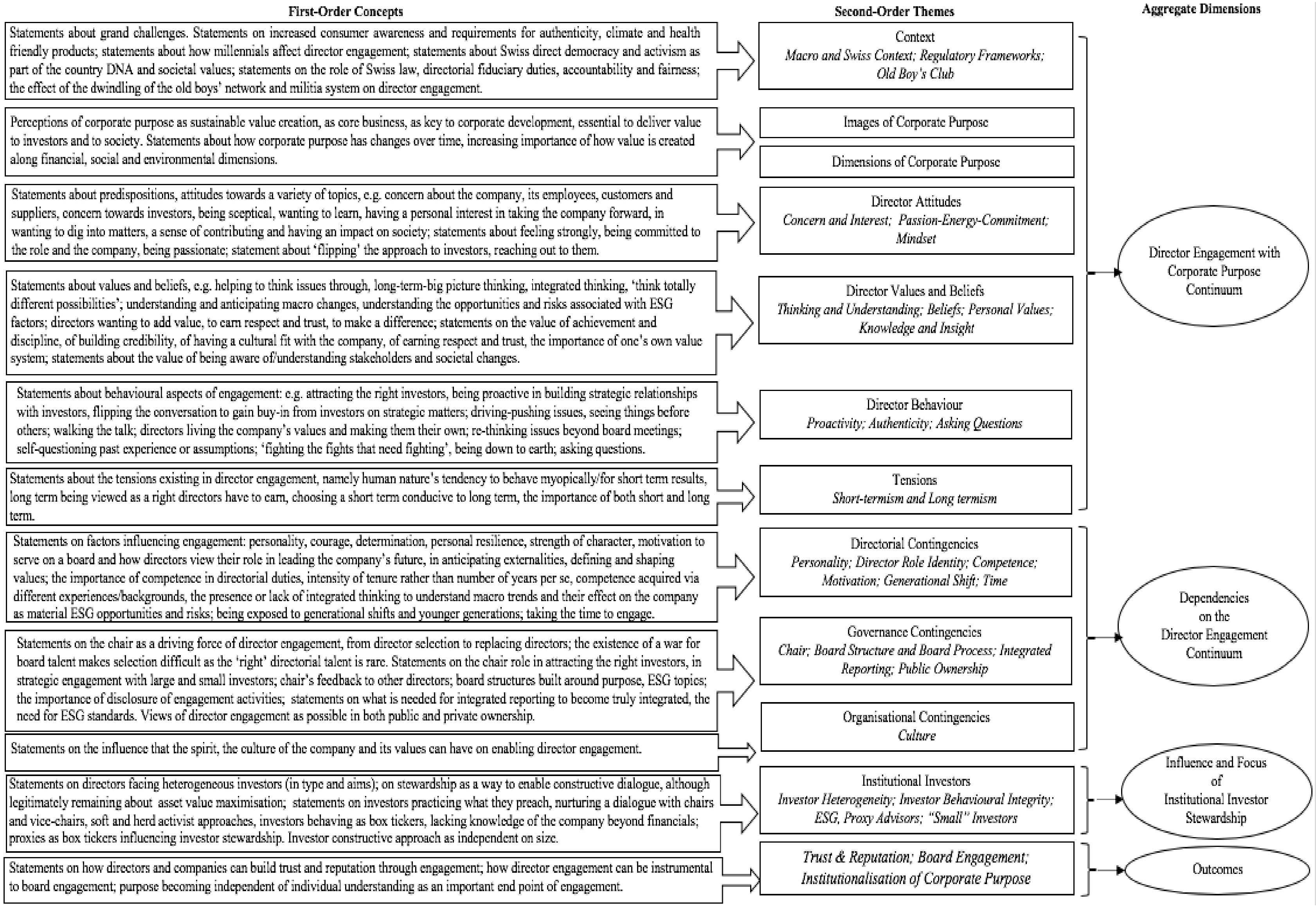
- The end game is trust that as directors and as a company we need to earn
- Purpose shapes reputation
- With engagement we build trust and reputation

Having presented the themes emerging from the second-order analysis, before transitioning to *Third-Order Analysis*, two observations are important on the subjects of saturation, and the key insight gained so far. I continued data collection and analysis until no new concepts and themes emerged, and I found that I was reaching saturation after conducting about twenty interviews. I regarded the moment the study reached saturation (as already mentioned in *Data Collection* above), as the moment when new information made little difference to emerging concepts and themes (Aguinis & Solarino 2019; Guest, Bunce & Johnson 2006). Reaching closure required some judgement calls on my part, for instance to break away from the number of interviews (30) or observations (three) I had indicated in the research proposal preceding this thesis, or to use subsequent interviews (and observations) as opportunities for validation and for gaining deeper insights into emerging concepts and themes. Most importantly, I felt I was exploring ideas, rather than following a plan: in other words I made the decision to follow wherever the research process would take me, without forcing it into artificial constraints. As for the key insights from first- and second-order analyses, these lie in the emergence of a continuum, where director engagement moves between two extremes: *conformity and compliance* and *corporate development*. Engagement unfolds as contextual to a variety of contingencies, and short- and long-term tensions. It has the potential to lead to outcomes conducive to corporations creating value for society as well as for investors, and to directors making a difference to their companies. It is at this stage that my understanding of director engagement moved firmly away from an engaged/disengaged dichotomy.

Third-Order Analysis

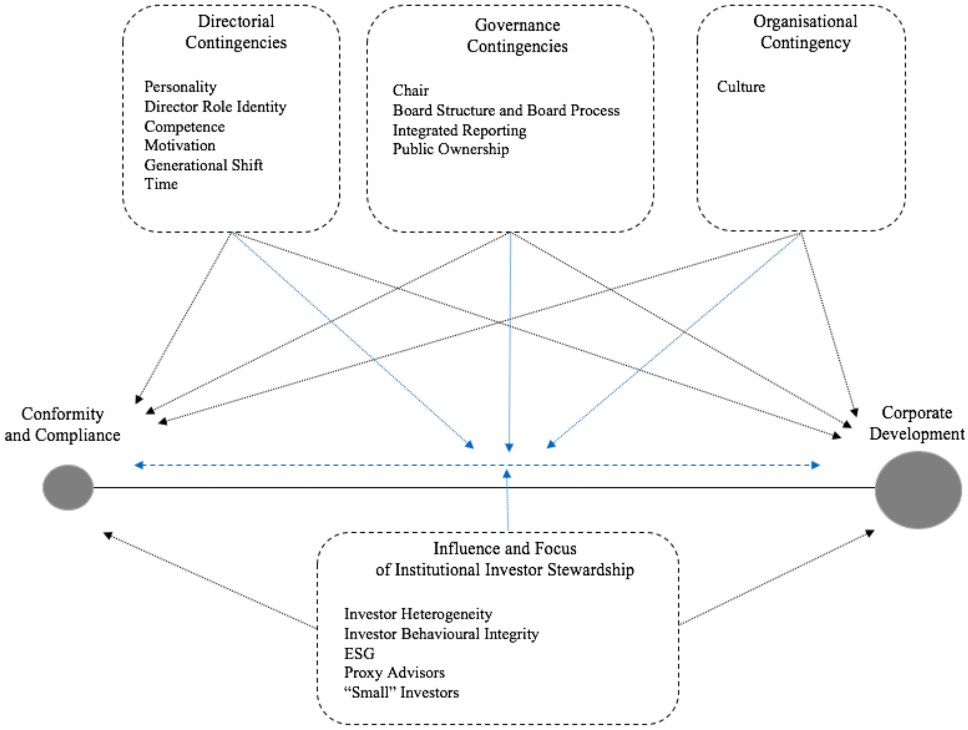
Third-order analysis involved the organisation of second-order themes into *aggregate dimensions* (Gioia, Corley & Hamilton 2012), by which I mean something 'relevant to the research questions which can be seen on some level of patterned response or meaning within the data set' (Braun & Clarke 2006, p. 82). This stage was one of 'distillation', where I strove to extract additional, essential meaning from themes in order to be able to answer the research questions and identify the theoretical contribution of the case. I wanted to identify not only the aggregate dimensions, but also how they fitted together. This stage of analysis also allowed me to build the data structure I used to develop the study findings. Figure 9 presents the data structure, which includes a selection of first-order concepts, all associated second-order themes and aggregate dimensions. As elaborated in section *Pilot Data Analysis,* the data structure presents in visual form how I moved from a selected first-order concepts, to all second-order themes and aggregate dimensions which emerged as theoretical foundations of the initial director engagement with corporate purpose model (which I will present in the following sections). The data structure format of Figure 9 was informed by the Gioia, Corley and Hamilton (2012) methodology of data analysis (adopted in this thesis).

Figure 9 Data Structure



I found the advice offered by Pratt (2009) particularly helpful in theorising from themes to aggregate dimensions. Earlier in the research process I had decided to investigate the phenomenon of director engagement; however it was at this stage in the analysis that themes of context, purpose, director attitudes, values and beliefs, behaviour, tensions, contingencies, institutional investors and outcomes began to fit and create a ‘coherent story’ (Pratt 2009, p. 860). The story features director engagement as its main character or leading actor, its endeavours predicated along a continuum, and institutional investors (and their stewardship) as a supporting actor. Aggregate dimensions underpinned my theorising of the story of engagement as a strategic cognition process influenced by how investors carry out their stewardship duties, characterised by tensions between short- and long-term, dependent on a set of contingencies at directorial, governance and organisational level, and conducive to a set of potential outcomes, known in story-telling as ‘the aftermath’. Four aggregate dimensions emerged: *Director Engagement with Corporate Purpose Continuum*, *Contingencies along the Director Engagement Continuum*, *Influence and Focus of Institutional Investor Stewardship*, and *Outcomes*. The *Director Engagement with Corporate Purpose Model* (presented in Figure 10) rests on the recognition that the process it models is not a linear progression, and the agency for engagement is with individual directors.

Figure 10 Initial Director Engagement with Corporate Purpose Model

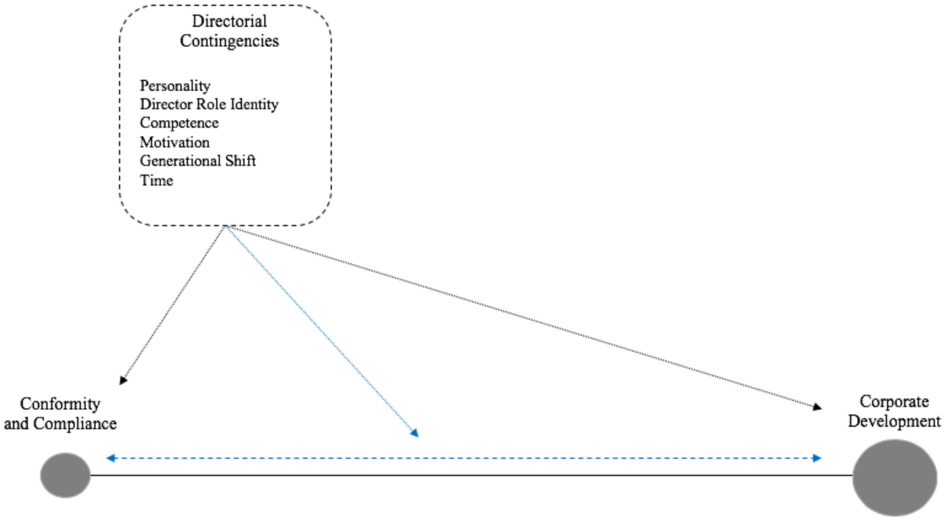


In this study, the continuum sees directors at (indicated by black lines in the model) and potentially moving between (indicated by blue lines) two stations: *conformity and compliance* (on the left), and *corporate development* (on the right), influenced by sets of contingencies and investor stewardship. In the next sections, first, I will elaborate on the continuum conceptualisation; second, I will present the initial two stations along the continuum.

The Oxford English Dictionary defines a continuum as 'a continuous series of elements passing into each other' (https://www.oed.com). My focus is on a 'continuous series', as the continuum attempts to model director engagement with purpose as a whole, with interdependent and equally important parts represented by the initial two stations. It is important to state at the outset that the continuum is not a straight progression or path and that the initial two stations do not represent an either/or dichotomy. Rather, as Goodall & Motgomery (2014) argue, the continuum ‘is an attempt to describe a messy web of interactios’ (p. 400), in the case of director engagement a messy web of elements and relationships of engagement as a process of knowing and understanding the multiple dimensions of corporate purpose and of individual, strategic choice of resource commitment to it. The evidence supports the mapping of directors on the continuum as it emerged at the point in time of data collection (six at conformity and compliance and 16 directors at corporate development), and how they can potentially move along the continuum under a certain set of contingencies and conditions. The two stations emerged from first, second and third order analysis, as I moved from participants’ accounts to theorising engagement along a continuum. For instance, statements of a set of directors centered around the importance and necessity of addressing societal norms and expectations (for instance on transparency, opt-in reporting or regular dialogues with investors on financial performance) pointed to *conformity*, while statements on the importance of obeying hard law (for instance on directorial duties, governance or sustainability reporting or equal treatment of shareholders), pointed to *compliance*. In the evidence statement about conformity and compliance were intertwined, hence it was not possible to separate one from the other. Concequently the station represents both *conformity and compliance* Concerning corporate development, in addition to the above described statements pointing to conformity and compliance, the accounts of a set of directors were also concerned with the necessity to achieve trade-offs among the different dimensions of corporate purpose (including short-long term tensions), proactive and strategic approaches to investors as a condition for securing the company’s ability to continue to create value, the importance of board structures built around purpose to enable engagement as a key part of strategic decision making, or the importance and difficulties in understanding macro trends, their materiality, identifying ESG opportunities and risks and incorporating them into the company's strategic development, pointed to a *corporate development* station on the continuum. Evidence from this study also suggests that the greatest benefit to corporations, society and investors is derived from director engagement as corporate development. At this station directors attend to all dimensions of purpose and sustainable value creation can be achieved via a simoultaneous combination of strategic choice of resource commitment to purpose as conformity and compliance as well as corporate development. In other words, this study indicates that the answer to the normative question 'where is the optimal point on the continuum' (Eisenhardt & Zbaracki 1992, p. 21) is corporate development because this is the station where, borrowing an expression from these authors, 'comprehensiveness' (p. 22) of director engagement can take place, and where a 'shared understanding and commitment' (Dess 1987, p. 274) of and to corporate purpose unfolds. In this study, *corporate development* represents an umbrella term for a 'gestalt' (Gray & Ariss 1985, p. 707), a pattern of strategic decisions defining and aiming to deliver corporate purpose as sustainable value creation. At this station, decisions are strategic because they refer to 'the overall business direction of the firm' (Garg & Eisenhardt 2017, p. 1830), beyond assuring *conformity and compliance*, by which I mean 'meeting and/or exceeding societal (informal) norms and obligations' and 'meeting legal, formal obligations' (Durand, Hawn & Ioannou 2019, p. 300) respectively. This engagement behaviour is explained by directors fully and comprehensively committing their affective, cognitive and behavioural resources to purpose, and being exposed to an investor stewardship behaviour aligned with and focussed on purpose, relying on ESG and company knowledge, enacted through constructive dialogue, with integrity, and limited or no use of proxy advisors. A set of directorial, governance and organisational contingencies support this director behaviour. The other station, *conformity and compliance*, is less prevalent in this study and sees directors limiting the comprehensiveness of their resource commitment to corporate purpose, and addressing only certain dimensions of corporate purpose, being exposed to investors exercising stewardship duties as a form of box-ticking. Here investors have limited or no engagement with directors, lack in-depth company and ESG knowledge, behavioural integrity and rely on proxy advisors. In this type of engagement behaviour directors perceive the set of directorial, governance and organisational contingencies differently and these contingencies, in turn, exercise a limited effect on directorial engagement. Given the transitory nature of engagement, the continuum indicates that changes in the contingencies can trigger changes in engagement behaviour. For instance, a change of chair, board structure or perception of culture can be conducive to movement away from conformity and compliance towards corporate development. Before introducing the second aggregate dimension emerging from data analysis, I need to mention an important point in regard to directors along the continuum. In this study I conducted an investigation of director engagement with purpose in general terms, in other words, I did not frame the interview questions on corporate purpose, engagement and institutional investors in terms of specific industries, topics or issues, as this choice would have placed me in danger of falling into the trap of 'leading the witness'. Rather, I made the deliberate choice to remain open-minded about how directors would generally perceive the topics and let the evidence emerge in order to guide my interpretation and theorisation of engagement and answer the research questions.

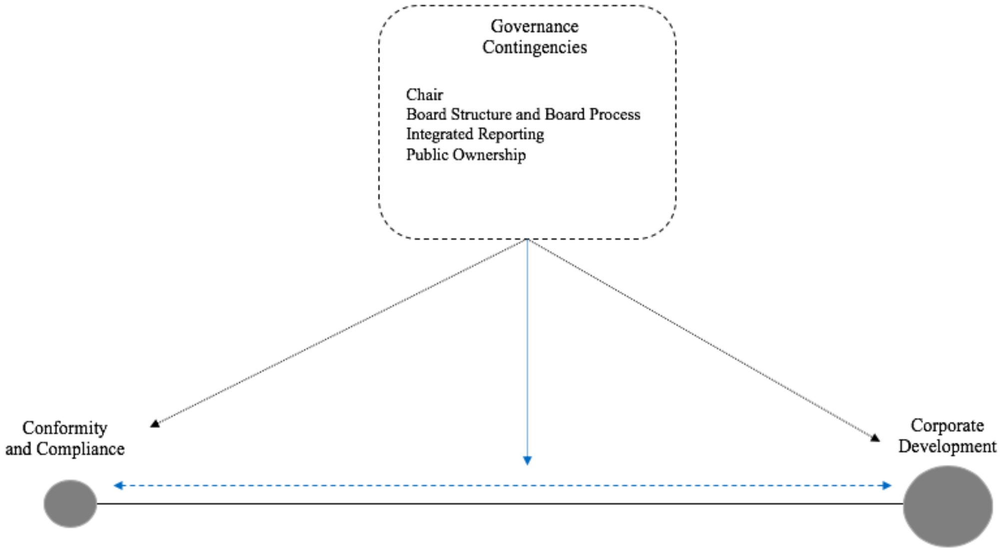
The second aggregate dimension presents a set of contingencies (*Contingencies along the Director Engagement Continuum*) acting as dependencies along the continuum and operating at directorial, governance and organisational level. The first set operates at directorial level, and includes *Personality*, *Director Role Identity*, *Competence*, *Motivation*, *Generational Shift* and *Time*, presented in Figure11.

Figure 11 Directorial Contingencies



The second set pertains to governance contingencies, namely *Chair, Board Structure and Process*, *Integrated Reporting* and *Public Ownership*, presented in Figure 12.

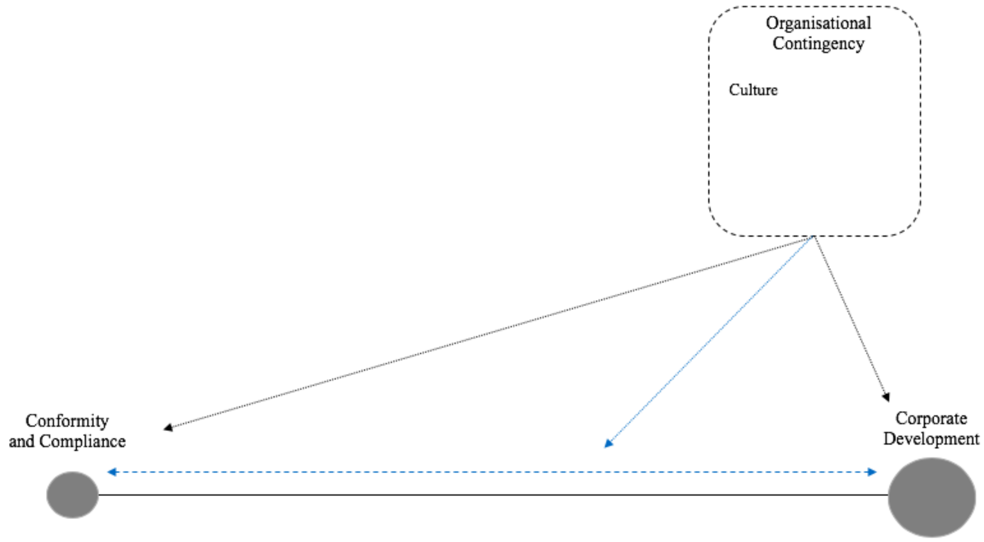
Figure 12 Governance Contingencies



The chair affects engagement via director selection and engagement with investors, and by creating a board structure and processes which nurture director engagement. In its current form, integrated reporting works against engagement, moving towards or remaining at corporate development. Concerning *Public Ownership,* the fourth governance contingency, in the interests of transparency, I note that in the second-order analysis I presented the theme *Public and Private Ownership*, with engagement emerging as possible (to my surprise) in both structures. However, given that this case study is concerned with directors of listed companies, public ownership is the contingency of interest, as engagement depends upon it, while an examination of potential dependencies on private ownership remains outside the scope of this thesis. (I will return to this point in *Discussion and Contribution*).

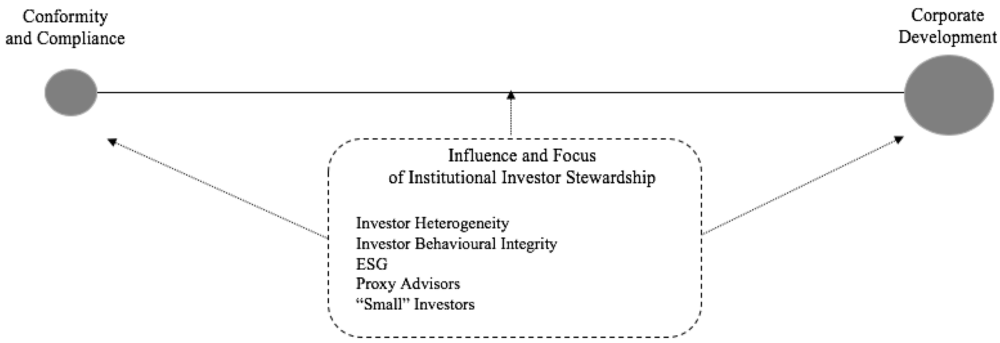
The third dependency relates to one organisational contingency, *Culture* (presented in Figure 13). A corporation's culture also affects engagement, as the spirit of the company - its values and ways of doing things - can move director engagement along the continuum, if directors assimilate it.

Figure 13 Organisational Contingency



Influence and Focus of Institutional Investor Stewardship represents the third aggregate dimension (Figure 14). In previous sections, I presented investor influence on the continuum when the chair leads strategic engagement with investors and shares feedback with directors, or in relation to integrated reporting. This dimension builds on those findings by examining how stewardship influence and focus affect director engagement through *Investor Heterogeneity, Investor Behavioural Integrity, ESG, Proxy Advisors* and *Small Investors.*

Figure 14 Influence and Focus of Institutional Investor Stewardship



Investor heterogeneity translates into different approaches to stewardship, which in turn influence the movement of engagement on the continuum. Behavioural integrity in investors, complemented by comprehensive and transparent disclosure of engagement activities, also contribute to the movement. The exercise of stewardship via engagement is built around ESG topics, ESG perceptions ranging from a tool to 'red flag' companies (Van Duuren, Plantinga & Scholtens 2016, p. 525), to a way of comprehensively managing and integrating both risks and opportunities in the investment process. Having presented the three levels of analysis I followed to identify the aggregate dimensions of director engagement, in the following sections I elaborate on the findings emerging from this study.

Chapter 4: Findings

Introduction

Empirically, the findings of this study allow a distinction to be made between director engagement with corporate purpose as *conformity and compliance* and *corporate development*, the latter representing a higher degree of comprehensiveness in terms of directorial committment of affective, cognitive and behavioural resources to all dimensions of corporate purpose. Overall, the initial model of director engagement (presented in Figure 10 in the previous section) is intended to model engagement as a whole, with interdependent and equally important parts, represented by the initial two stations. Nonetheless, there is a difference in the extent to which directors who share the same understanding of purpose commit their affective, cognitive and behavioural resources to it. This results in directors attending to all (*corporate development*) or only some (*conformity and compliance*) dimensions of sustainable value creation through their engagement.

Director engagement unfolds in a *context* bedevilled by challenges and characterised by uncertainly, activism, regulatory frameworks recommending or mandating corporate action to help building a sustainable future, Swiss law mandating directorial roles, and the dwindling of the old boys' club, resulting in younger directors with no direct connections to the old system serving on Swiss boards. In this context, directors who engage with purpose as corporate development serve companies they perceive as characterised bya c ulture of learning and change, where 'trying out new things' is encouraged. They possess a courageous *personality*, challenge the status quo, display resilience and strength of character, view purpose as part of their *role identity*, are *competent* on a number of subjects and nurture their competence, have the capacity to make a difference, are *motivated* to bring the company forward, invest *time* to engage, are exposed and attentive to *generational shifts* (which make remaining in touch with society and other stakeholders, rather than their own age, relevant to engagement). Furthermore, directors at this station work under a *chair* enabling their engagement and that of institutional investors (who behave with *integrity,* engage on *ESG* topics, possess in-depth knowledge of the company, and make limited use of *proxy advisors*). The chair promotes purpose as directorial business and as a core element of board *process*, supporting directors' participation in *board structures* built around purpose or their exposure to them. Directors are concerned about the lack of ESG standards and require truly integrated reporting so that all dimensions of value creation can be accounted for. They view sustainable value creation as achievable in both public and private ownership, hence they do not regard serving on the board of a listed company as an insurmountable difficulty or barrier to engagement. At this station, director engagement unfolds through *attitudes* of *concern* and *interest* for all dimensions of purpose, through a display of *passion-energy and commitment* towards it, a down-to-earth *mindset* towards themselves, their role and place in society, a positive predisposition towards the unknown, a set of *values and beliefs* which include wanting to add value and to make a difference (rather than 'doig the job'), *personal values* of achievement, discipline and respect, *thinking* out of the box and in integrated manner. Directors have the capacity to *understand* and anticipate macro changes, and their material effect on the company, are *proactive, authentic*, value the importance of setting an example and walking the talk, and are not afraid of *asking questions*, as questioning helps them to dig deeper into matters enabling their learning, which in turn facilitates their engagement. It is through the combination of these dynamics and traits that director engagement unfolds as *corporate development*, a station on the continuum where all dimensions of purpose are comprehensively attended to as strategically relevant and important, hence a station where conformity and compliance are also attended to not per se butas part of a more comprehensive type of engagement as corporate development.

By contrast, when director engagement unfolds as *conformity and compliance*, directors choose to commit their resources only to selected aspects of purpose, for instance sustainability reporting, short term financial results, or gender diversity at board level. At this station, directors begin to marshal their resources towards engagement with purpose, the key word being ‘begin’. This is the station where engagement begins, hence it is an important station, although it isn’t the optimal point of on the continuum, as it represents a limited degree of ‘comprehensiveness’ (Einsenhardt & Zbaracki 1992, p. 21) of resource commitment towards all dimensions of purpose (in section *Third Order Analysis* of the previous chapter I presented how the two stations on the continuum relate to one another). It is important to clarify which conditions and forces are at play in engagement as conformity and compliance. At *context* level, activism sweeping through Switzerland (such as The Responsible Business Initiative) potentially entail a fundamental change of how companies are managed and goverened. Because directors perceive them primarily as bringing about more regulation, they reinforce directorial attention to box ticking. Remaining or becoming conform and compliant is the essence of this engagement behaviour which a number of factors and contingencies contribute to explain: a combination of *personality, motivation, energy* confortable with or directed towards risk avoidance, a *role identity* focussed on maintaining the status quo, monitoring affairs and ensuring short term financial performance, the lack of exposure to generational shifts taking place in society and in boards, a preference for waiting for things to happen, limited *proactivity*, the avoidance of *asking questions*, depth of *competence* in business/industry affairs, yet lack of breadth of competence across other areas, a preference for letting previous experience guide decisions, rather than being open to self-reflection and ongoing *learning* as a way to inform and improve decision-making, unwillingness to invest more than the contracted *time* for the role, which is viewed as been about managing the company through miminising risks. Contingencies enabling this engagement behaviour, and limiting its development to a higher level of comprehensiveness where engagement evolves towards corporate development, include: a process-driven company *culture* of control, a *chair* reinforcing a *board process* or way of operating centred on risk avoidance, the lack of *structures* built around purpose or the lack of feedback to directors on the work done within those structures if in place, a directorial view (shared by the chair) that *integrated reporting* is the addition of non-financial reports to annual reports, rather than the integration in numbers of all dimensions of value creation in company reports, a view of engagement as possible in *public* and private *ownership* (but a strategic choice of milited resource commitment to purpose given the difficulty of managing *heterogeneous investors* in a listed environment), a perceived lack of integrity in *investor behaviour*, investors' extensive use of *proxy advisors* for knowledge of investee companies and voting recommendations.

These findings are elaborated upon in the rest of this chapter: firstly, I introduce tales of director-types at the two ends of the engagement continuum; secondly, I present and explain engagement behaviour as *corporate development*, and as *conformity and compliance*, accounting for its dependencies and the influence and focus of investor stewardship. I then conclude with potential outcomes of director engagement. In the following narrative, to illustrate and elaborate the findings of this case, I have used vignettes and selected quotations from participant's interviews. Vignettes are 'briefly described episodes to illustrate an aspect of the case, perhaps one of the issues' (Stake 1995, p. 128) and a vignette 'can be as short as a single paragraph to as long as a chapter' (Miles, Huberman & Saldaña 2014). In this chapter, I use short (one paragraph) and longer (two-three paragraphs) vignettes for the purpose of describing directors and situations to justify my assertions (Hunt et al. 2019). Vignettes, together with quotations from the interview transcripts, are intended to justify the findings I present in this chapter and elucidate how the influence and focus of institutional investors, director engagement and its potential outcomes emerge from the data.

In the interest of transparency, I note that to protect the anonymity of participants and the confidentiality of the informations they entrusted in me, vignettes and quotations do not disclose the industry of the respective director/company.

A Tale of one Director

(Chair, outsider-business expert)

He sees corporate purpose as short- and long-term sustainable value creation, short- vs long-term being the tension every company faces. He believes a company cannot deliver purpose in the long term (ten years is his mark) without planting the right seeds and delivering the crops short-term. In his experience all value creation discussions 'go out of the window' if financial results are not delivered as agreed with investors. It is a matter of credibility, of keeping his word so that investors remain confident in his ability to drive the company's future. He cannot say he is long-term because he is short-term too, as delivering purpose is about both. He is in the spotlight. For the last three years his company's performance has lagged behind industry peers, and investor pressure has increased, rightly so in his view. He knows that without financial results in the short term, he cannot earn the right to a long term, and is preparing to negotiate strategic changes with shareholders at a point when the company is driving the future of many industry 4.0 technologies, supported by a culture where innovation is 'in our DNA from the beginning'. He is competent, courageous, down to earth, no frills, has deep and broad knowledge of different industries and businesses, and understands macro trends and how they shape the future of the business. He is an integrated thinker, able to see how the pieces of the purpose puzzle fit together.

> For some topics, he has set up an advisory board of experts so that he and the board can develop knowledge in those areas and has invited scholars at the forefront of their research fields to serve as advisors. He is also championing a board initiative with millennials (in and outside the company), to devise products of the future. Rather than paying consultants to tell him how millennials see the future, he talks to them directly. He does the same with older generations of employees concerned about technology and the future of work. He also thinks that serving as a director requires resilience. He is not disheartened by failure, as it is part of business, or by bad press or below the belt tweets, as long as they are not directed towards his family. So far he has bounced back from many setbacks and battles. He is a fighting spirit. He is very comfortable with full transparency around his activities as chair and in the company, because he is there to serve a public company. He is not a member of the Swiss old boys' club but shares the values of the country and of the company he serves. ESG factors represent first and foremost opportunities to drive innovation, with associated risks. The lack of ESG standards and a general view of these topics as non-financials deeply worry him. He believes this is an obstacle to companies' ability to live and deliver their purpose. However, he is not resting on his laurels, but is working on developing a set of standards relevant to the company and based on available frameworks for its industry. He will then seek investors' buy-in. In the past he met proxies with much frustration, as they lacked knowledge about the company and where he is taking it. Once, a proxy from the US sent a 200-page report on the company to him and his investor relations team, asking them to review it, despite having no previous contact with them. He promptly refused. He now avoids them, but knows which investors are using them and how they use their services. He values authenticity, openness and sincerity, cannot tolerate platitudes from his directors, as asking intelligent questions 'is part of their job'. He has a legacy of success in selecting the right directors: upon his election, he transformed the board and had to say goodbye to directors who had served for over a decade because they were not engaged beyond complying with the law and social norms. The key to his job as chair lies in asking the right questions and listening to the answers. He is a champion of proactive, personal, strategic engagement with investors, runs roadshows and demands their attention with discussions on purpose topics and macro trends, such as cyber security, e-mobility and the future of work and climate transition, rather than how many CO_2 emissions he plans to save. Managing different types of investors is 'normal' in public, dispersed ownership, and to him this represents an interesting and challenging balance to achieve. Private ownership can be as bad in terms of problems and tensions. The future of engagement with purpose should be placed within the broader discussion of the purpose of capital and needs engagement at board level. Purpose is the next TQM.

Meanwhile, diametrically opposed to him, a chair and a director received me separately in their offices.

A Tale of Two Directors[13]

(Chair, outsider-business expert; director, insider-current executive)

This is a tale of limited passion, energy and commitment, of conformity, compliance, reputation, control and denial. Director 1 believes that women are not 'cut for director or management roles', 'aren't they happier at home with the kids?' The company has no women at C-level, but do have a few on the board for appearances. Purpose is about creating value; in their industry 'there are no sustainability issues', and all the talk about problems in the cobalt mines for their core products is a bad story the press invented. Purpose is about 'delivering the numbers', 'with a bit of sustainability around it'. To director 2 (chair), purpose has to do with long-term thinking to create value, in economic, social and environmental terms. Purpose is at the top of his agenda, and he is very active in investor relations, however his investors are mainly interested in financial performance and forecasts. When he receives an invitation to meet shareholders, rarely accorded to director 1, as he is the one always 'having to deal with them', he accepts only if the attendee is at CEO level, preferably a native German speaker. When the majority shareholder calls, he jumps. When director 1 meets investors, he runs through his 'traditional 96-page power-point presentation', indicating to me that on page 95 I can find a slide on what they do for the community, and some pictures relating to sustainability. Over the last ten years investors have not raised a single question on ESG topics. Meanwhile, the chair offers me a copy of the latest sustainability report, mentioning that 'this stuff is delegated to our sustainability people. They are experts'. They are planning a glossy publication of the company 'in the community', sure that the public will receive it well. A member of the old boys' club, the chair's heart, mind and reputation are deeply connected to his previous experience in a different industry. He does not see learning about the tindustry as important, because 'the CEO runs things'. Both are status quo directors, content with surviving day to day, avoiding risk being their mantra. Uncomfortable with what cannot be boiled down to cost and revenue numbers, they display limited passion or energy, either for the role or for learning, their main motivation being prestige and money. They are cruising, content with the status quo, operating within the law and doing the bare minimum to look good, in a process-driven company culture where 'control and authority are everything'. Public ownership is a curse, 'unfair' and a much more difficult environment in which to deliver value (the numbers) than private companies. They enact purpose with 'acts of philanthropy', for instance providing schools with free services. The chair ticks all the boxes important to proxy advisors and his investors, such as diversity, number of independent directors and committees on the board. The chair sees his role and his value added in monitoring and controlling and confirms that every year he receives his strategic objectives from the majority shareholder. When performance falls, both directors believe that the CEO is the problem.

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[13] Title courtesy of Charles Dickens, although this is no story of transformation and resurrection at a personal or societal level.

As these short vignettes attest, there is a divide in the extent to which these directors commit their affective, cognitive and behavioural resources to purpose. Although directors in this study share a common understanding of purpose as sustainable value creation, engagement behaviour is either directed to all dimensions of purpose (as a corporate development activity) or to selected ones (as conformity and compliance), each implying a strategic choice of individual resource commitment to corporate purpose. Empirically, the study findings warrant the conceptualisation of the story of engagement as unfolding along a continuum between two extreme points: conformity/compliance and corporate development, the former being more prevalent than the latter. How directors commit their resources to purpose does not depend on director type, as I found different director types at both ends of the continuum, with the exception of outsiders-community influentials, whom I found only on the corporate development side. The continuum shows that combinations of contingencies, institutional investors' stewardship influence and focus affect how director engagement happens, and that the nature of engagement changes with time, so changes in contingencies can trigger movements along the continuum. Investors (large and small) enacting their stewardship duties through constructive dialogue, knowledgeable, integrating ESG factors in their investment decisions, displaying integrity of behaviour, and making limited or no use of proxy advisors, enable directors to become or remain engaged as a form of corporate development, under a certain set of contingencies. In contrast, investors (large and small), who are stewards with limited or no engagement, who lack knowledge, do not integrate ESG factors in their investment activities, display no or limited alignment between words and actions, and rely on proxy advisors, contribute to moving or keeping directors focussed only on conformity to norms and compliance with the law, and constrain any movement towards engagement as corporate development. I did not find major differences in engagement behaviour between director typologies. Outsiders and insiders, former and current executives, business experts and support specialists can be found at both ends of the continuum. However, community influentials, specifically academics, are at the furthest end. In the next sections, I elaborate on these findings, starting with explaining engagement as corporate development, viewed as the optimal point of the continuum, or the point where the greatest benefit to corporations, society and investors is derived.

Engagement with Corporate Purpose as Corporate Development

I found that when directors engage with purpose as corporate development, decisions and activities reach their full strategic potential, 'important in terms of the actions taken' and 'the resources committed' (Eisenhardt & Zbaracki 1992, p. 17), critically affecting the corporation's survival. This is the point where engagement behaviour is proactive and authentic, interested and concerned, passionate, energetic and committed to value creation. Engagement is directed at all dimensions of purpose (financial, social and environmental), while directors also ensure the company conforms and remains compliant. This behaviour unfolds through a down-to-earth mindset; a positive predisposition towards the unknown (similar to entrepreneurial spirit); an attitude towards investors as sources of capital who need to be attracted and retained; a view of stakeholders as an important constituent in value creation; a personal value system of respect for self and others, for the natural environment and of accountability for one's actions. This behaviour is explained by a combination of personality traits, how directors see their role, time, motivation, competence, exposure to generational shifts and societal changes. Directors are courageous, not afraid of questioning the status quo, and follow 'their own path' in life. They speak up, apply energy to all they do, are authentic (particularly important in the context of societal calls for greater authenticity), and confident in their own abilities. They possess character and 'strength of will' (Corno 1993, p. 14), also known as volition, applying themselves to driving the company forward. They are big-picture thinkers and feel they can make a difference beyond obeying the law and complying with social norms. They are concerned, interested in purpose, and view all its dimensions as relevant. Directors place greater importance on mental than structural independence, as an independent frame of mind allows strategic decisions about purpose and its trade-offs. Although important, structural independence is perceived as only one side of the coin, an abstract, mathematical equation that needs to be complemented by independence of mind if corporations are to create value and directors make a difference. The following quotations illustrate the above dynamics, followed by the portraits of two chairs:

> *Engagement requires independent directors with personality, character, who are comfortable with the unknown. You have several elements of independence, the structural issues, for example you were the head of the compensation committee of company X and the chairman of company X was in your compensation committee and you would actually make decisions to give each other compensation, that was very often the practice, very often, in the 60s-70s, even in the 80s in the old boys' club, but those days are gone for good, and rightly so. So this kind of structural lack of independence or conflict of interest better, as sometimes the two things are also confused, is the focus of proxies and investors who are nothing more than box tickers. Unfortunately, they are missing half of the story. We have a completely independent guy structurally (once you agree as a board on what structural independence looks like), who is not able to make up his own mind, who always says 'yes but what do you think?'. That, I tell you, is not helping engagement because this guy is unable to make independent decisions and go for it, all the way.* (Director, outsider-business expert)

> *Directors who engage with these topics to drive the company forward are people with impact. I think I am a woman of impact, at least I see myself as such. You must be, otherwise you wouldn't qualify for board roles, not in this day and age. Sometimes you find a big ego, but in general, particularly here in Switzerland, we*

are down to earth, authentic. I am who I am and I bring that into everything I do. People who serve on boards with this type of engagement have character, courage, and go their way in life. They stand with both feet on the ground too. (Director, outsider-business expert)

As director you have quite some influence and sometimes you know how it is in life, you say yes and just go with the flow, it is easy. The problem is that this job very often requires you to go against the flow because you are carving the strategic future of the company. In and outside board meetings, you need the courage to say no, I totally disagree, or I have a different opinion, and for this it is important to have an independent mindset, to be intellectually independent. (Director, outsider-business expert)

Investors require independent directors on the board. Yes, but what is independent? What they actually mean is that I should select nobody from the business, nobody who does not understand the business, nobody who is involved in the business or the industry in any way. So I wonder where I will find these people! They do not care about independence of mind. It's ridiculous. (Chair, outsider-business expert)

Chair, insider-former executive

Purpose is why the company does what it does, and how he drives it to create sustainable value. Financial, environmental and social aspects are inter-dependent and need to be addressed and delivered because they are part of business in this day and age. 'We are not the Red Cross and we have not stolen anything from anybody'. Corporations are business enterprises born to create value. In this age, value can only be created by incorporating in the core of business the three dimensions of purpose. He sees purpose and related ESG factors as opportunities, with different risk levels. Anticipating what is ahead and will impact the business is a core duty. He speaks up, has *courage d'esprit*, 'to fight the fights that need fighting'. Being beaten is normal, standing up is exceptional. He is a learner, passionate about what he does and making a difference. 'I love this place' he tells me, 'if I did not love it, I would not be here'. He regularly asks tough questions of himself and fellow directors: What are our products in people's lives and in the planet's health? How can we improve our supply chain to be a force for good in society and the thousands of farmers we depend on? What is the business opportunity there? What are the risks there? He is explicit about purpose (also in the articles of association or board agendas) and the strategic direction to create value. It's a consumer goods company, but they are not only about goods. He loves the company. He is a man of character who branches out from the status quo, enjoys being the captain of the ship, and does not worry about adversity or difficulties because they are part of life and business. He selects directors in tune with and sharing the company's purpose, strategic direction, culture and values. The board reflects the societal, environmental and economic challenges the

> company faces. Committees, advisory and stakeholder boards have complimentary dimensions, to address finance, geo-politics, industry 4.0 supply chains, changing consumer behaviour, natural sciences. Board structures complement and reflect the multi-stakeholder society we live in.

At this end of the continuum directors are resilient, able and willing to face adversity, indeed almost comfortable with it. Bouncing back from events which threaten or disrupt their reputation or their operation (Olekans, Barkar Caza & Vogus 2019; Sutcliffe & Vogus 2003), is essential to engagement where directors take acceptable levels of risks. Resilience is needed to bounce back from hostile media coverage (an article in the press or a tweet), and from investor battles. Directors do not get distracted by 'the flavour of the day', resisting being pulled in different directions; instead they engage with investors and other stakeholders, listen to them, learn from their concerns or suggestions, and incorporate their views when crafting strategic decisions or making the necessary adjustments to ensure sustainable value creation is delivered. These directors are willing to take risks and can operate in an uncertain and challenging environment because they embrace change and ambiguity as part of life.

> *Nobody told me that life is fair. These people complaining about the current climate, the current difficulties, unfair investors, unfair competition from young start-ups outside the regulatory radar. Life is tough, so is business, you have got to choose your battles, in life and in business.* (Director, outsider-support specialist).

> *At director level the status quo is, let's just make sure that we're sort of performing short-term because that does not require any explanations to investors; it does require courage from the Chair to tell investors this is why we are here and this is our plan of where we want to go. These are the trade-offs, we need your support. This requires courage and not many chairs have that courage to branch outside the status quo, to go into the risky unknown. It takes personality, courage and resilience.* (Director, outsider-support specialist)

> *At the end of the day it boils down to personality, values and courage, also vis-a-vis institutional investors. Larry Fink's Blackrock is almost in every Swiss listed SMI company. If they come and tell me I should do A, and I do A, for the moment I have done the right thing because they keep quiet, fine, but as a director you are not there to please anybody, you are there to fight for the interests of the company, for creating value in the industry or business areas, so you should fight, you should fight, and not every director can and wants to fight.* (Vice-chair, outsider-community influential)

Directors engaged as corporate development see themselves as captains of the ship, a role that comes with responsibilities. Their role identity is about being responsible for delivering value creation, placing the interests of the company before their own, and regarding them as exceeding their own tenure, as these quotations illustrate:

> *I look on myself as one of the shepherds, the custodians of purpose. As directors, we must think and act further than how to keep the system running. What I always have in mind is to do all in my power to deliver value, so that when my time is up, I can give the keys of this company to the next board member so that he or she will do the same thing. This is my duty.* (Vice-chair, outsider-business expert)

> *At board level, and this is the beauty of the Swiss governance system, we are captains of the ship, we need to understand the context, anticipate changes, always one step ahead of management, because we need to know the way, show the way and go the way.* (Chair, outsider-business expert)

> *Being a member of the board of directors comes with a lot of responsibility. It is a tough job. You are responsible for the ship, thousands of people's lives depend on you, your investors depend on you, your customers too. Under Swiss law we are in charge of strategy, clearly. This is the beauty of the role, not only monitoring executives, but driving the future of the company. It all comes with personal liability. As captains of the ship, you have to accept the conditions*. (Director, outsider-community influential)

> *The Swiss board of directors is not the same thing as the supervisory board in Germany or a board in the US. We are very much involved in the business; we are not just there to ratify management decisions; we are captains of the vessel. We are not the representatives of the shareholders, and under Swiss law the major responsibility and duty of the board and of each director is to the company, not to the investors. So the role and responsibilities of directors come from this principle of the law which sees us as captains*. (Director, outsider, business expert)

This view of their role is not a philanthropic or moral stance of doing good, giving back or placing planet before profits, as recent reports in *The Guardian* (Wood 2019) and *The New York Times* (Gelles & Yaffe-Bellany 2019) indicate, rather it is a reflection of how directors see their role on the board, and value creation in the twenty-first century, in the context of a societal system where service is rooted in the Swiss psyche, Swiss law mandates directorial duties towards the company, and business faces increasing societal mistrust, discontent, and pervasive challenges. The following portrays a director.

> *Director, outsider-support specialist*
>
> There is a profound sense of service at the core of his engagement behaviour. He mentions that he has been 'called into this board of directors', a board that, by law, is responsible for the running of the company, definition of the strategy, management of the company, its financial health and long term interest, and nomination of the executives, all of which must deliver value in financial, societal and environmental terms. In his view, directors 'are called into duty for the superior body of the corporation', which needs to do what it needs to do, whatever it takes. He has personality and courage. He was a key figure in a fierce battle with investors who sought a strategic turnaround, which would have meant firing half the staff and cutting the company up. That was a strategy to destroy value. Together with the board he fought these investors armed with a sense of purpose and the special 'beauty' of the Swiss governance system, as the law supported the fight for purpose, and was instrumental in the board victory. The sense of service also entails that directors 'better make sure they fulfil those obligations otherwise they should not join a board'.

Engagement happens also because the role identity described above ignites and fuels directorial efforts and activities, as the following quotations illustrate:

> *I strive to make sure that this company is successful after I am gone, that's how I see my role. It is an ongoing effort. I serve on the board. It is a service. The challenges motivate me. Thinking that I can shape our success and the future of our people, our customers, our society.* (Vice-chair, outsider-community influential)
>
> *I see my role as being about leaving a mark, helping this company shape its future so that it can continue to deliver value.* (Director, outsider-business expert)

> *Being a director is about making sure the company lives up to its purpose now and after you are gone.* (Chair, outsider-business expert)

This engagement behaviour also takes place through the enactment of personal values, through a way of thinking in terms of the big picture, integrated thinking, understanding external factors, their impact on the company's value-creation capacity. Knowledge and insight develop as part of this behaviour and are needed for it. Directors reach out to stakeholders to understand changes, points of view and gain knowledge they then bring into their engagement behaviour and decision making. The following portraits of two directors illustrate the above:

> *Director, outsider, community infleuntial*
>
> A distinguished academic, businessman, former CEO and chair, now vice-chair, his is a story of values. Personal values play a central role in his engagement with purpose, and with everything he does for the company. He recognises that there are differences among directors, however all directors serving on boards, whether public or private, need to 'meet a certain bar of values and live them. Every day'. He shares with me stories of his background and education. His values have a lot to do with his upbringing, where he comes from, and his individual preferences. 'I was never interested in money and prestige,' he notes. He made money along the way, yet remained very down-to-earth, focussed on making a difference. The interview took place at a restaurant at his university. As we entered the room, students and faculty sitting at the tables stood up to salute him, as a sign of respect. I could feel in the air admiration and recognition for him. He politely thanked them, yet felt embarrassed. 'They should not do that. I am just a director … and a professor,' he remarked with a smile. Directors need to buy, really buy, into the story and values of the company. That story might change as it should be evolving, and values evolve with time and social norms, but as a director he needs to continue to buy into them and live them. 'Otherwise, how can I expect our investor, employees or customers to stay with us?' He sees the board and its directors as being responsible for the strategy, for culture (hence values) and for people. It is through values that he influences the thinking, the acting and also, 'sustainable development of your values'. To him, knowledge without values is pointless. For instance, on strategy the board clearly decides where to play, where not to play. Together with the chair he personally and regularly makes very clear statements to all top managers as to what you do and do not do, what is and isn't aligned with company's values, which are also his own, for otherwise he would not be there. He adds, 'If you have knowledgeable and competent directors

without values, that is the most dangerous situation and you can end up destroying your purpose.'

Director, insider-current executive

He articulates in clear and simple language the challenges the company faces but he does not complain about the state of the world or how tough his job is. Although nobody has a crystal ball to look into the future, he is adamant that, as a director, it is his job to shape the future. Trends and mega-trends need to be anticipated and understood as they will shape the future. Understanding which opportunities are out there, for instance from climate transition, or changes in consumer preferences due to the search for a more authentic lives 'with purpose', is a key part of the role. Together with the chair, he regularly engages with stakeholders, including investors, in the Chairman's Round Tables, where they discuss macro topics, trends in business and society, environmental issues and solutions. Investors sit together with community representatives, with academics, with suppliers, employees and customers, because the magnitude of the challenges faced require concerted efforts in search for solutions. These are opportunities where directors seek out the help of stakeholders to anticipate and understand external factors as a core duty. Stakeholders have been part of the company's values from the very beginning. As a director, he shares those values: integrity, respect for others and value creation (including financial gains) for shareholders not at the expense of other stakeholders. Living those values requires daily focus and choices. 'We stay focussed on a few areas where we really make a difference: water, nutrition and rural development'.

Such a view of their roles is closely connected to what motivates directors to join a board in the first place, and to remain on it. It is linked to their values and believes, and their attitudes towards the role, and life in general. Directors are motivated to serve by the challenges of bringing the company into the future, delivering value, making a difference, learning, seeing a business 'inside out', and being exposed to fellow directors. In addition, in the specific case of outsiders-community influentials (academics in this study), directors are also motivated to join a board by the opportunity to apply the latest academic research findings to governance practice. Directors engaged at this point are competent and have background experience; their tenure is intense (in terms of effort, not necessarily number of years); they are willing and able to 'relate', to establish and nurture direct access to people; and to learn, and keep nurturing their knowledge. In other words, they possess humble leadership traits (Morris Brotheridge & Urbanski 2005; Ou, Waldman & Peterson 2018; Owens, Johnson & Mitchell 2013; Ou et al. 2014; Thiessen & Thiessen 2019), in the governance context and in regard to their competence. Directors keep an open mind, as learning can open up new possibilities for value creation, and show a predisposition towards and appreciation for other people's points of view. I found that diversity of background and experience plays a key role in this engagement behaviour. Although a business background is important, experience in other fields, such as journalism, health sciences, natural sciences or engineering, as practitioners and/or as scholars acts as a catalyst for engagement, as it supports a deeper and broader understanding of how all dimensions of purpose and ESG factors affect the business. The following quotations and vignettes illustrate these dynamics:

> *I am on this board because I keep learning, I get industry insights. I learn a lot. I also think I contribute a lot because I do understand business although my background is in journalism. I have a different way of thinking which is very relevant to these topics. I have a deep understanding of the media world, which also means I understand trends, where the world is heading, and what makes society tick. This is important for sustainable value creation, for purpose-driven businesses. In every board on which I serve (three listed companies), there is something happening where I learn, either because there is a big strategic change we are working on, and I am driving it with the board, or because of the sheer size of the challenges and of the business. Purpose and its related ESG issues are very difficult subjects, and a diverse way of thinking is useful. I complement my colleagues who are strong in finance or in this particular industry. I am a learner, at my age I realise I know nothing.* (Director, outsider-business expert).

> *As much as I like being a social scientist in academia, I wanted to go back to business, at least partially. And it opened up new opportunities. First, I served on small boards. I was on a start-up in software and that was interesting. I realised it's the* type of work I like to do, to help thinking through issues, to help to contribute to probably thinking a little bit out of the box, to come up with ideas, to challenge people so that they align behind purpose. And I learn a lot. Learning is the reason why I agreed to serve on this board. From the outset I told the chair I wanted to understand the business.* (Director, outsider-community influential)

Director, outsider-business expert

> Known for her executive career and successes in the media world, this director has a background in journalism, and understands what is happening in the world and around the company. Macro trends, societal tensions, climate change, income inequality are her daily business. She looks at them as issues that can be turned into opportunities for innovation and for new business. She shared with me examples of changes in consumer behaviour which prompted her to think of ideas for a new service targetted at millennials, then developed by Marketing under her personal watch. She keeps an open mind, aware that she does not have all answers and does not know the company inside out yet. Her strength is mindset, her way of looking at things as opportunities with different risk levels. 'I always speak up' she mentioned, otherwise, 'what is the point?' With her sociable nature she reaches out to various stakeholders on a regular basis, in agreement with the chair, alone or with fellow directors. Remaining in touch with employees, suppliers, customers, and the government, and relating to them and their challenges, is important for the way she passionately engages with purpose.

Director, outsider-community influential

> An eminent scholar of the social sciences and an advisor to the Federal Government, this director is competent, down-to-earth and understands how scientific research can help corporations to deliver value. She is courageous and approachable. She joined this board for the company culture, the strategy and the learning opportunity. On her first day as director, she agreed with the chair that she needed to start understanding the business process end-to-end, from design to production, research, sales, repairs, dealing with customer complaints and difficult contractors. She also wanted to understand corporate values 'in action', how the company treats employees, citizens, customers, suppliers, investors and communities. She went on several two-week tours of the company's operations, 'on the job' around the world: assembling products and replacing spare parts with helmet, safety glasses and gloves, going on customer visits, getting to know the people on the factory floor, digging deep into the company to understand it. She believes that only if she understands the business at that level, can she hope to do a good job as a director, monitoring and driving the business strategy to deliver on its purpose, and hopes 'I might even be able to give advice to the CEO'. Certainly, if a director does not understand the business really well, and does not keep that knowledge up-to-date, how can one be in charge of strategy for value creation?

This engagement is intense, yet intensity does not relate to the length of tenure, but rather how intense the tenure is, in terms of effort, passion, energy, proactivity, dialogue, knowledge, cognitive abilities and motivation, as engagement has to be sustained to ensure value creation. The regular number of board meetings per year falls short of the time, effort and intensity required by engagement. Time matters and 'overboarded' directors, 'those serving on too many boards' (Harris & Shimizu 2004, p. 775) can be too busy, particularly if they are also in executive management. To a certain extent, directors at this point on the continuum have to constantly find time to remain engaged, for instance by working on weekends and evenings. The following quotations illustrate the issue of time and the conundrums directors face:

> *Regular board meetings, even with some extra, deep dive sessions are not enough to do all that is needed to deliver sustainable value creation. Some topics are very new to me and I am building knowledge as I go. You need a considerable budget of time. Once you join you have to take the time. If this means weekends, nights, shorter holidays, whatever. Of course, you cannot sustain that forever, you can do it for a few months, then you get exhausted and need a break. In general, you have to find the time to dig deep into issues and to learn. We face complexity and to make the right decisions many factors need to be understood and examined, so that we see how they fit together. Otherwise you risk making the wrong decisions without looking at the big picture, how this decision fits with the rest. The effect can be catastrophic.* (Director, outsider-support specialist)
>
> *You want people who are active, you want board members who are actively involved in the business, who are up-to-date, who are up to speed . . . and at the same time these people are busy with other board seats, with other duties, maybe they have an executive role somewhere. These are busy people. So, there is a dilemma in terms of availability and expectations of these people, because for engagement you do not want laid-back, mid-retirees who have plenty of time and do not want to learn.* (Director, outsider-support specialist, healthcare)
> *Directors can have a long tenure but add minimal value. Some have been there for years and their value added is minimal. Others have been there a couple of years and they make a real difference. What is important for engagement is how intense their service on the board is during that tenure, and this requires a sustained effort.* (Chair, insider-business expert)

How far directors move along the continuum is independent of age *per se*. I found directors between 47 and 74 years of age engaged at the furthest end. What they have in common is exposure, awareness and understanding of the generational shift taking place in the directorial profession (now younger and not directly related to the old boys' club) and, in a world of aging population, the force represented by millennials and generation Z. Because they live, buy, work and use technology differently, these generations are bringing about profound change in entire industries, helping to bring the question of corporate purpose to the forefront, and thus supporting director engagement. With particular regard to millennials, as recently reported in the *Financial Times* (Darbyshire 2019), internal research by JP Morgan Private Bank indicates that as asset owners, millennials see sustainability and ESG topics as a priority for their investments, while Daneshkhu (2018) reports that as consumers and employees, and despite differences across the world, millennials seek authenticity and purposeful lives. Their affinity with and sensitivity towards sustainability, interest in experiential living, and investment preferences contribute to explaining engagement behaviour, depending on directors' exposure to them, awareness and understanding of the force they represent. Having or seeking contact with these generations, understanding the changes they bring about, and/or having children or grandchildren 'in generational shift', helps to explain this engagement behaviour. The following quotations and a portrait of a vice-chair explain the above phenomenon:

> *All directors I selected for this board are younger than me, some ten to fifteen years younger. None I knew before, so these are not my colleagues, I have not come across them before, I selected them together with our nomination committee because of their merits and not because I or we knew them. They have millennials or even younger generations in their family. This helps to keep them aware. I would say first-hand awareness of the changes going on in the world, this also can drive engagement.* (Chair, outsider-business expert)

> *I want diversity on this board, and that also means having younger directors, female directors, directors from different backgrounds to reflect society, right? On top of it, my grand-daughter is now in Hong Kong, she's doing her MBA, and I cannot tell her that we have only old men or no women! So my grand-daughter's generation also pushes me, the father. I am a director but I am also a father.* (Director, outsider-support specialist)

I see a shift as to ages represented on boards, slightly younger generations, younger meaning maybe 50-60, 45-55 in comparison to what used to be the case Some directors have families and Gen Z or millennial grandchildren and children. This helps to develop a different appreciation of sustainable value creation. Even my niece speaks to me about the climate fights of Greta Thunberg. She went on school strike and asked me: What are you doing for the planet? (Director, outsider-business expert)

We are seeing a generational shift in Switzerland. I think a little bit I am a representative of the passing of the Old Boys Club. (Director, outsider-business expert)

I think, with age, we need to also be very careful because younger people are not automatically more or better engaged to create value. I have seen many exceptions. We just have said farewell to a director who is 70. This guy is very, very smart, very competent, full of energy, active, proactive, very engaged. He had to go because that is the age limit. I know we have to have limits, but it is not a matter of age, it is a matter of how exposed to the world, to the new generations you are, how passionate, how proactive you are. I think there is also a new generation of chairs and of directors, there is a generational shift, the old boys' club of the past is disappearing, these directors come from the business, the science… as opposed to politics or the military. (Director, outsider-business expert)

Director, outsider-business expert

> As vice-chair, he works closely with the chair to drive value creation thinking across the group. Competition is tough, and competing on price is alluring, however it would not be sustainable. He is down-to-earth, loves nature and speaks frankly and openly, at times apologising for using some strong words. His passion for the business and the topic of purpose is palpable. Millennials and generation Z represent a large part of the company's customer base, as individuals and business owners. He shares with me different examples of how exposure to younger generations translates into directors' engagement with purpose. In particular, one example shows what exposure can do to support engagement. They have about 140 apprenticeships in Switzerland alone, about 10% of their local workforce. So far, over the last three years, 70% of apprentices have become full time employees. He sees this as sustainable value creation, securing young talent who bring into the company diversity of lifestyles and thinking, remarking, 'We give young people the opportunity to start somewhere in life and to help us steer a company in the right direction'. They invest in younger generations because their ideas and choices are relevant to creating value, as they are a driving force of the twenty-first century, and the company needs to secure an adequate talent pipeline as one way to deliver on its purpose. Directors are very supportive and engaged in this. During an investor meeting he presented the program. Some investors did not like it. He recalls a large index fund remarking, 'Why the (…) do you spend money on this? You could do something else with this capital. For instance, give it back to us as dividend'. He pauses and adds: 'By the way, this is an investor who publishes these nice stewardship reports year after year', clearly not walking the talk.

Engagement behaviour also depends on the chair, considered by all directors as a major enabler of engagement. Beyond other contingencies which apply to all directors, hence also to chairs, two sets of activities personally driven by the chair are relevant here: director selection and engagement with investors. Although board search professionals, and personal or professional networks can be brought to bear, selecting the 'right' directors is of paramount importance, and is an activity driven directly by the chair, at times in conjunction with the vice-chair. A war for board talent complicates selection. Contrary to the assertion of Bainbridge (2018), that 'there currently is no market for directors', given that 'they find their way onto boards largely through personal connections' (p. 332), there is evidence of a war for board talent, because the 'right' talent is rare, given what engagement entails, and the macro and Swiss context. The following quotations and account of one director illustrate these dependencies.

> *Our Chair proactively, personally and formally pushes the topic of purpose as the essence of all we do...there is a continuous focus on value creation, and on doing it sustainably. It was not there with the previous chair.* (Director, insider-current executive)

> *For our industry, we have a Chair and a Vice-Chair who are very switched on to value creation, on what the purpose of this company is and really those two they drive it in the board and in the company. They also put a lot of effort into personally selecting directors. They do not only contract head-hunters and review a short list. They meet candidates several times, in action, over a meal, or take them on a trip to a factory. Lots of people want to serve as directors, because it is a well-paid, prestigious job. When it comes to engagement and being comfortable with the intensity of it, all that it requires, you do not find many people. On top of it, in a Swiss board you are in charge of strategy, not just monitoring what management does. This talent is rare*. (Director, outsider-business expert)

> *Today there is a resource war, a war for talents. There is also a war for board talent, by the way. If I just wanted to fill a seat, I could find a million people willing to have that seat, but since I am looking for talent who will deeply engage with the company, its purpose, its people, its values…there are not so many around. These directors are rare.* (Chair, outsider-business expert)

> *Director, insider-current executive*
>
> His opening line was 'As director and CFO, I have the courage to have the conversations with those who are challenging me or want to push me into a short-term corner'. This is a CFO who not once during the interview spoke about financials. His understanding of corporate purpose is comprehensive and centred on how financial, societal and environmental factors affect value creation. He is energetic, a deep expert and broad thinker, passionate about the company and proud to be the group CFO. The topic of purpose is daily business for him. The chair plays a most important role in how he and other directors, executives and non-executives, commit their resources to purpose as a strategic activity for corporate development. His chair is adamant that directors must complement each other in terms of character, background, personal values, mindset and competence. He shared with me names of directors who have a good understanding of geo-politics, Brexit or trade wars and how they will impact the company, these directors think in scenarios. Others are strong on the multi-stakeholder dimensions of society, understand societal changes and worries. A

few have a background in finance or banking and are strong on control and audit. A few years ago, the chair started to invite scholars and scientists to join the board. At first some directors did not understand this move, fearing that this type of board member would engage only at the theoretical level and not be hands-on enough. From day one, the new directors were visible in the company, eager to learn the business, participating in extra meetings and deep dive sessions, and offering concrete solutions to problems, for instance solutions for the construction and mining industry. The CFO admires his chair because he stood his ground in selecting these outsiders, as he does in many other decisions. As a man of courage and broad thinking himself, he sees these qualities as essential for the chair, especially when selecting the 'right' directors.

When selecting directors, things can go wrong, or not as predicted. Directors shared with me examples of personality issues, 'big egos' who felt superior to everybody else, constant attention-seekers, and directors who 'could not be bothered' in terms of energy, passion and commitment to purpose, and in terms of not living the company's values. In these cases, chairs take action, showing that certain behaviours are not tolerated. The following account illustrates this behaviour.

Director, outsider-support specialist

For the past six years, he has been serving the company as non-executive director. His story of engagement is all about values and courage, including the courage to admit mistakes or take drastic decisions when things go wrong. Selecting the 'right' directors is serious business for him and he is personally involved in the process, supporting the chair. The industrial goods sector faces challenges in attracting board talent. 'We are not as alluring as consumer goods like watches,' he mentions. His grandfather was in the Swiss army; his late father was a high ranking general and politician. He mentions that in a way, in the militia system everything was 'more predictable' as the boys steered the country. The system is fading and, nowadays, being a friend of a friend is no longer sufficient. Before being elected, he went through 'an incredible' due diligence over his person, family, history, digital footprint, track record. Selection was and is still driven by the chair, at times with head-hunters. The process is rigorous, the chair turning 'every stone'. He is very mindful of 'ego-directors' who 'just talk and love to hear themselves'. The market for directors is filled with this type of people, 'it is just awful,' he laments, finding it very frustrating. Finding talent is tough. Despite all the due diligence, things do go wrong. A recent example was a CEO of a large European corporation in a different industry. He is very smart and dynamic, a top performer 'with a bit of an ego'. They knew this, but the chair thought he could

> manage him. In the first three months things went from bad to worse, and it became clear that this director was ‘on show’ at every opportunity he had. He did not display the same values, and was not engaged with heart and mind in creating value. His passion, energy and knowledge were brought to bear in showing off, rather than in ‘strategically driving this company’. After six months, the chair asked him not to stand for election and to excuse himself from board meetings until the next AGM. This move was courageous and decisive, setting the tone from the top. The first director saw the chair not wasting any time and having no problem in recognising a judgement error, with the result that he wanted to dedicate even more energy and passion to the company. At the end of the day, he said, ‘even a chair is a human being’.

Because engagement with investors needs to be coordinated, it normally rests with chairs, supported by vice-chairs. Chairs help director engagement by initiating and nurturing strategic dialogue with investors, in other words, by ‘flipping the conversation’, proactively managing investors as opposed to being at their mercy. The following quotations illustrate how ‘flipping’ is perceived:

> *With investors, the whole point is about flipping the approach, the conversation and turning it around. We are not directors at the mercy of investors, and should not behave as such, even if many are, and that is why they say it is so difficult to be listed. It isn’t about an investor telling you ‘you need to create sustainable value’. It is about you as member of the board of this company telling them, ‘If you want to invest in our company…You have to sign up for this and this is how I will deliver against this’. That’s it, that’s the aim. And this is what I’m fighting for with our chair. Of course you have to deliver, otherwise they turn against you and your story and you are not credible any longer.* (Vice-chair, outsider-business expert)

> *Our chair welcomes engaged investors and reaches out to them. These are investors who do their homework, first of all…when he meets them he finds they know the company and healthcare pretty well, they understand ESG and how these factors can impact on our ability to create value. A professional conversation, not just bringing up criticism or asking him about executive compensation or how many committees we have, they can read our report for that. Here I am talking about investors who also bring up suggestions. This type of investor influence can be very helpful. Once we had a meeting and the vice-chair could not attend so I went with the chair. The investor said, ‘Okay, we see this and this, you have these challenges, have you ever looked at this, and how this company is addressing them? It was very helpful. They shared with us a few*

> *examples of companies that had faced the same issues and how they solved them.* (Director, outsider-business expert)

Engaged chairs hunt the right sources of capital and farm the ones already secured, selling the story of purpose and related trade-offs, the 'right' investors being those aligned with purpose and its trade-offs. Through feedback, directors remain aware of what is happening with investors. This contributes to keep them engaged, as creating value also depends on their support. The following quotations, and account of a director, illustrate the approach:

> *If I show investors that I am going to save X tons of CO_2 over the next five years I don't get them out of bed, it is as simple as that. But if I show them what I do on e-mobility, cyber-security, artificial intelligence or robotics, and what's the business purpose and societal, environmental and financial impact of that, short and long term . . . then I have the discussion.* (Chair, outsider-business expert)

> *I can get some investors to agree that for the next two years we need to sacrifice profitability, and if the story holds, they buy it, but I need to deliver. If I do not deliver, long-term becomes a promised land.* (Chair, outsider-business expert)

> *I am very serious about creating sustainable value. Regular, proactive communication with investors, beyond financial analysts and rating agencies, is critical. Transparent and relevant disclosures, together with direct engagement with existing and potential investors form the basis of how we deliver purpose. I meet investors throughout the year. Independently from management, I hold meetings with key investors two to three times a year, at times also with proxy advisors. During these meetings, value creation and related ESG topics are on the table.* (Chair, outsider-business expert)

Director, insider-current executive

> He accompanies the chair on 'his' roadshows with investors. It is important to build relationships, to understand investor perspectives on the world, the economy, society, the natural environment, the business and how it creates value, and to learn from investors. At these meetings, they discuss topics related to ESG, social inclusion, the business contribution to climate transition, exposure to cyber security, and opportunities the board is pursuing and acceptable levels of risks are negotiated. The last roadshow covered industry 4.0 technologies, the impact of urbanisation, Brexit, US-China trade wars and sanctions on Iran. Financials are usually not on the table, as they are covered in different meetings with investor relations, the CFO and CEO. As an investor mentioned to him during the last roadshow, 'I do not come here to hear about performance. I can read the numbers in your reports'. He describes to me how strategic these engagements are, paving the way for securing investor support, spotting problems earlier on. They also represent opportunities to remain on top of 'what is going on' on the investor side, as voting at the AGM is only one aspect of investor voice, albeit an important one. There can always be surprises at the AGM, although through the roadshows, all things being equal, they are normally able to spot issues early on, and find solutions without compromising the chosen strategic direction. The director admires the way the chair has championed these proactive, strategic initiatives with investors. Once back in Switzerland, the chair shares detailed feedback with all directors on the board and with the CEO so that everybody remains on the same page.

Directors view ESG factors as related to value creation. They find that the distinction being made in current debates between financial and non-financial factors does not reflect reality, as ESG factors can impact the bottom line and are relevant and important. In its current form, they perceive integrated reporting as not supporting value creation, and are not content with publishing a sustainability, or social or governance, report as part of the annual report, rather than separately, as such integration will not make a difference to how value creation is perceived, delivered and measured. Directors advocate for integrated reporting to be based on globally accepted ESG standards (as is the case for financial reports) which should be accounted for in numbers on the balance sheets and profit and loss statements, with appropriate explanations. This type of integration would help directors' engagement and help companies to create value. The following quotations explain the issue of standards and integrated reporting:

> *I'm not a big fan of current developments in integrated reporting. I do not think it is really serving the purpose, because it relegates ESG factors to non-financial, as if a social revolt or floods where we operate factories would have no financial impact on us. They will. So why should I not be able to account for them in the quarterly or annual report? Globally accepted standards are missing. We are developing some for specific factors but it is an interim solution.* (Director, outsider-business expert)

> *The discussion about integrated reporting worries me. At the moment integration means taking the annual report and merging it with the sustainability or social report. To me then that is not integrated reporting, unless I can account for potential climate risk, or cyber-attack or social unrest impact. ESG represent vulnerabilities and opportunities I need to be able to integrate in numbers in my company report.* (Director, outsider-business expert)

> *ESG factors can have real impact. They pose a threat to your business operations and strategy as resources deplete, you are exposed as a company when you operate in a country and it is flooded. You also can find opportunities for new products to drive revenue and cost savings. Some ESG factors, like climate change, are actually going to challenge the very existence of corporations. So we should stop thinking and talking of these factors as non-financials, they can kill your business so they are very financially relevant. With integrated reporting the challenge is as is, it looks at putting non-financial reports into the financial ones, like adding a chapter to a book, instead of re-writing the book to reflect the twenty-first century. Integrated reporting should serve directors and corporations to think differently about value and be able to report their effect on the bottom line* (Director, outsider-community influential)

> *The issue of reporting can hinder engagement. ESGs are not non-financials. We need standards that all listed companies obey. These topics are core business, then they should be reported in the annual report. There should be one report with all factors accounted for in a balance sheet and P&L which need to be upgraded for the twenty-first century, to reflect factors and capital other than of a direct financial nature, like human, natural, manufacturing etc. The fact that we have sustainability reports means that the topic is not yet mainstream. And then, the other topic that needs to be addressed is standards. We have accounting principles where anybody can look at any company and make sense in the same way of a P&Ls or a balance sheet. But in ESG, there are efforts to standardise, but we are not there yet. We urgently need global standards and a different view of integrated reporting, so that we can transparently report on and see how value creation comes about now and in the future.* (Director, insider-current executive)

Engagement behaviour as corporate development is also explained by specific board structures built around purpose (for instance ESG topics), such as committees, advisory and stakeholder boards. They give directors focus, visibility and accountability, and a learning opportunity. Depending on the topic and articles of association, the committee, the board, or the chair have the final word on decisions. In these structures regular feedback to directors who are not members of a particular sub-board is important to explain engagement and avoid working in silos. At board level, engagement also needs an environment and a way of working where directors feel free to raise issues, ask questions, and admit they do not know. Company culture is important to engagement and to the establishment and success of these board structures. A shared understanding of corporate purpose and a culture embracing learning and change, where 'failing is part of succeeding', 'trying out' is daily business, and innovation is valued as 'the life blood of corporate survival and growth' (Zahra & Covin 1994, p. 183), supports and enables the work of board committees, stakeholder or advisory boards, as these structures can test ideas and experiment, not just 'give advice', helping director engagement. The following director portrait and quotation illustrate the role of board structure and culture:

Director, outsider-business exper

> She has a background in natural sciences, two decades of experience in business and declares she is 'a representative of the passing of the old boys' club'. She is a strong believer in the history of companies. For her, history influences culture tremendously. She believes that directors at the top must drive purpose and that how they enact it also depends on company culture. The board should reflect and nurture this culture. In the company she serves, culture is about serving society and contributing to healthier lives. A desire to make people healthier is deeply rooted in the company's psyche. It is because of this culture, which in her view other healthcare companies do not share, that she is so passionate about value creation. In the board she is known for being 'a force with purpose', always reminding herself and others to think in terms of purpose and culture. 'Is this decision aligned with our culture? Are we delivering value to our patients or are we doing this just to

delay the release of a cheaper drug in the market so that we can make more money?' These are her type of questions. She joined this board in part because of the company culture and it is because of culture that she also sees the short term as 'a passage to go through to deliver value in the long term', adding that 'short term is a passage, not the destination, but that passage needs to be the right one'. Her engagement story is a story of values. She is adamant that company values are not just 'a nice poster in the corridor' or 'a full page in the governance or sustainability report'. In this company, culture and values are actually part of the performance evaluation process. How value is created is as important as creating it, for directors as well as for junior employees. The road is filled with challenges and in terms of ESG we are still developing a basic understanding of these factors. Culture is driving how they approach this learning curve.

Director, outsider-business exper

I met this director in his office for the shortest interview (30 minutes) and the only one I was not allowed to record. Nonetheless, he offered me an important learning opportunity on a different way of looking at board structure. The board needed help with artificial intelligence and blockchain, particularly in understanding how these can be used for product traceability and in extraction. He approached the chair and discussed building up a powerful advisory board, not with other directors or executives, but rather with scientific researchers investigating these topics directly and with some business experience. The company is known for its open and innovative culture. 'We have it in our DNA,' he remarked. Everybody, including directors, is encouraged to share and try out new ideas, so he felt comfortable with his proposition. The chair was enthusiastic and the board approved it. They invited five academics to join and they happily did so. They represented technology, research in materials, robotics, governance, strategy and public policy, as this is relevant for the issues at hand. They also secured a representative from a long-term investor, a community representative and a company director in charge of management education. The chair agreed with this director and the advisory board objectives, escalation rules and the general modus operandi. At each board meeting, directors hear feedback from the committee, knowledge is developing and strategic decisions are being crafted because of the support and focus of this body. 'We are delighted with this experiment and will apply the same to other topics when needed.'

We have committees on various levels focussed on corporate purpose and its sustainability dimensions. Culture is a big focus. It starts at board level with the Corporate Culture Committee directly under me. Some directors also take part in those meetings. I am the head of this committee. Then we have a sustainability advisory board. A recurring topic is climate change. There we get recommendations from different experts inside and outside the group. We analyse them in detail and decide who in the board is going to drive the work on these issues. I also set up a Society Committee, which takes care of society issues

> *material to the financial industry. Social inequality is a big topic for us. Furthermore, we have the Global Environmental & Social Risk Committee. There we deal with issues of environmental risk and human rights. These structures might seem a bit heavy, but they are effective, focussed and accountable.* (Chair, outsider-business expert)

I found this engagement behaviour in directors of large listed corporations, considered to be one of the most difficult ownership environments for long-term thinking (as many corporate scandals have shown), as pressure for short-term results is assumed to be the highest priority, given the decades-long practice of maximising shareholder value. However, all directors of this study considered engagement possible in public and private ownership, although challenges exist in both. The following quotations illustrate an example of how public ownership is not in itself the most difficult context for this engagement behaviour:

> *I think that purpose is achievable in both systems, whether you are listed or private. I think you get less influence from various parties if you are private, but I don't think that the returns pressure is going away, it's the same at the end because you need capital, you need to pay dividends etc. also in a private structure. You just need to drive purpose differently in a public or private company, the challenges and tensions are different, but they are there in both.* (Chair, outsider-business expert)

> *For me, the argument that it is much easier to engage with purpose if you are a director of a non-listed business than a listed one does not hold. It depends on many factors, on a director's personality, values, on the chair, share type etc. Sure you have different challenges, but it can be done in both.* (Chair, insider, former executive)

> *I think that being listed comes with tensions but that it is possible to go after purpose both in listed and private companies...in a private environment you can have other tensions, like family tensions. We build a plant for the next 50 years. We invest a billion or two, a plant can cost today between 500 million and a billion. So it is a huge investment. If you have attracted investors who are mostly quant guys working on computer trading, mathematical stuff, then it is a huge conflict, it is a huge conflict that you need to manage. On the other hand, if you have a family owner with five children all in the business and fighting against each other the whole time and not*

understanding the business, because they are just there as the children of so and so…what good is that? (Director, insider-current executive)

I hear a lot the argument that, if you are listed, you are at the mercy of investors and short-term thinking, that certainly had an effect, in terms of going after purpose as the core of your strategy, undoubtedly, and that if you are a family or private business all is well, except it isn't. You can have misalignment and bad governance in both. The challenges you face are different and certainly in a listed environment you have to proactively manage your investors and engage with them on purpose through ESG topics because they represent a risk and an opportunity for you and for their investments. In a private business you need to do the same, just with private owners. (Director, outsider-community influential)

Investors knowledgeable about the company and ESG issues, beyond structural elements such as executive remuneration or CO_2 emissions, enacting their stewardship duties via constructive dialogue on value creation, and limiting their use of proxy advisors (if used at all) as an element of their investment decisions rather than the driving force, also explain director engagement behaviour, as the behaviour of this type of investor provides support and a learning opportunity and challenges directors to deliver value in the short- and long-term and to agree its trade-offs. When investor behaviour has integrity, irrespective of investor or investment size, directors engage and remain engaged, as they perceive integrity to be a testament of commitment to constructive dialogue, and a common, long-term future. For this to happen, integrity and dialogue need continuity. Investor understanding of ESG supports engagement, because ESG discussions then go from structural box-ticking to identifying and acting on risks and opportunities. The following quotations illustrate the above:

ESG, value creation, sustainability are difficult topics and we work with investors who know about these issues. To give you an example of materiality, it can boil down to a single, tiny part in our supply chain or distribution network, one single element of vulnerability to climate change induced fires in California, where we have a warehouse or a testing lab, single parts or elements that you eventually need to translate into measurements, often of hundreds of data points. Once you do that, then you can translate the effect of ESG materiality in your financial *report, P&L or balance sheet, but we are not there yet.* (Director, outsider-business executive).

How many investors actually understand how the companies they invest in create value, what their purpose is and really understand what ESG factors are relevant, material to that company? It is work in progress. You have investors who talk a lot about green investing, long-term investing, then when it comes to supporting us on next generation plant of the future using only renewable energy, for instance, they do not understand how this can get them maximised returns. Some have no knowledge of ESG, and this does not help us to remain focussed on sustainable value creation. If we were to listen to them, we would pollute like crazy because that is what they can put down in a number. (Director, outsider-business expert)

I have investors who talk about ESG as strategic issues for value creation, but what they mean, really is CEO compensation, they want cash plus shares and the shares locked in for at least 5 years, or gender balance or CO_2 emissions. These are important issues, but the ESG world is so much bigger than that. Then I have investors with whom I can discuss strategy, the whole ESG spectrum and how it affects how we create value, which options we have, etc. At the end of the day, it is about how knowledgeable they are but also do they walk the talk? (Vice-chair, outsider-business expert)

Small investors who are knowledgeable of companies, macro-trends and ESG also explain director engagement. In influence and focus of investor stewardship, size does not matter. When this type of small investor refrains from public confrontation (in the press or on social media), and enacts engagement as a cornerstone of its investment process, investing in companies, rather than in stocks, it supports director engagement. The following quotations illustrate this point:

You have these investors…we reach out to them, others want to see you, you meet them, spend time with them, open up, discuss issues, problems you have, …and a day later you have an article in the Financial Times or a Tweet about how bad we are. They act like President Trump, all out in the public. How does this help me to fight for value creation? (Chair, outsider-business expert)

We are working with an investor, a small investor, 1-2%. They have developed their own ESG methodology and explained it to us, we understand it and we like it. It helps us to identify material effects, risks and opportunities. Now we are going further, trying to incorporate materiality in our financials and they help us. (Director, insider-current executive)

As a director and as a board you need to be conscious, knowledgeable and aware of what your investors want and what their preference is, but it's one voice in the whole concert, and you need to respect other voices as well, including the so-called smaller shareholders, as these guys I have seen that they can be very, very engaged and if they are knowledgeable and have the right engagement approach, constructive, not going to the press to talk to you, we listen, because we learn and they raise good points. This helps us to remain focussed and interested in value creation because we feel we are on the same page. (Director, outsider-business expert)

Type of industry does not play a role in director engagement as purpose is industry-neutral, important to all industries. This is illustrated in the portraits of two chairs below:

Chair, outsider-business expert

Purpose is about sustainable value creation, with sustainability meaning that the company creates value in financial, environmental and social terms, and that it also ensures that value is sustained, despite changes in context. In his view, purpose is not incompatible with short-term profits. It is important in any industry. In the industry, they have to 'pick up the mess if something happens to our clients and in the world', so direct experience of the consequences of dealing with the cost of acting in a short-term or unsustainable manner is in the nature of the industry. For instance, he has direct experience of the causes and damages of climate change. He negotiates investor support and translates ESG into company goals to reduce the risk of non-sustainable behaviour in the economy and to identify opportunities for new services to make the world and his clients more resilient. That is the business. He mentions that 'in a way, for us that is not so difficult, we are not in extraction or in luxury. For so many years the mining and luxury industries have been hiding away from public scrutiny or regulatory attention, and some directors could not care less about purpose, now this is becoming history'. He also shares the example of oil and gas, where boards and their directors entered the public eye much later, mainly because they had 'an unfriendly encounter with a problem'. He recalls the BP oil spill in the Gulf of Mexico, and the interviews the CEO gave on television, adding: 'Talk about engagement. In the days of this disaster the CEO was complaining about lack of sleep, can you imagine?' For this chair, purpose has been in the industry DNA from the beginning. Others joined the 'journey of purpose' later, and some 'still have to embark on it'.

Chair, outsider-business expert

A former academic, he is also an economist and a banker. He explains that in this industry, efficiency, capital strength and risk management are core pillars of sustainable success. Purpose matters across the board, it is industry neutral. He plays a vital role in the group's commitment to sustainable banking and investment; however, the nature of the industry, and regulation have helped the journey of engagement with purpose. Since the 2008 financial crisis, regulation introduced around the world and in Switzerland has imposed solid risk management structures and policies, which include environmental, social and operating risks. Post-financial crisis regulation has helped the industry, him and his directors to re-think the question of corporate purpose, and the broader question of the purpose of capital, but he remains convinced that purpose matters anywhere. Over the years, due to societal changes, he had to rethink the approach to banking and investment management, as maximising returns for assets under management is as important as positively influencing the social or environmental issues faced directly by the group as a corporation in the twenty-first century, and indirectly, via clients' exposure, while aiming for returns. Other industries (he mentions food and beverage and industrials) are doing the same. This is the chosen direction which translates into an ongoing transformation of the group towards managing money and investments according to sustainable criteria.

Tensions exist between short and long term. However, directors do not perceive short and long term as mutually exclusive, as purpose is about 'earning the right to long term', short term being conducive to long term, creating value next quarter or next year being as important as in the next five to ten years. The following quotations illustrate the tension (and a solution to it):

You don't get long term for free. You have to earn it. That is the big challenge, that you are always pushed in a short-term corner and you need to come out of it each and every time. It is human nature, la 'condition humaine'. Human nature tends to derail, to look at short term, returns next quarter, my mandate this year, profit next month. You come out of it when you understand that long term…you have to earn it. You have to earn the right to long term because they are linked. As chair I cannot say that I am long term, because I am and have to be short term too. Delivering purpose is as much about next month as it is about the next ten to twenty years. (Chair, insider-former executive)

> *Essentially, sustainable value creation is our purpose. It means thinking and acting with a long-term view, but how do we get there? This starts with stability and economic success in the short term; that is how you build your long term. Every business decision, from the smallest day-by-day to the largest, strategic decisions, products and services and our commitment to society, they all belong to this.* (Chair, outsider-business expert)

> *Purpose is about sustainable value creation. This means not doing anything today that will negatively impact your long-term future, your value creation and your long-term returns. So, that doesn't mean that what you do today has to be positive for those returns, but it has, at the least, to be neutral. Otherwise, if you are doing something that is negative for the long term, you are…as the English expression goes… you are selling the family silver or you are robbing your own long-term future.* (Chair, outsider-business expert)

> *Creating value sustainably clearly has different aspects, social, environmental as well as financially. We have to be financially healthy also in the short term to get to the long term. Otherwise we can go bust while thinking about a green supply chain or the next twenty years!* (Director, outsider-business expert)

The two major forces that create this tension are human nature, *la condition humaine*, the tendency of human beings to deliver results in the short term or during their tenure, and investor behaviour exacerbating human frailty, with investors (large and small) seeking to maximise short-term returns, lacking knowledge of the company, its industry and ESG factors, while relying on proxy advisors for their investment decisions, not seeking on-going long-term engagement with directors.

In summary, I observed significant and clear connections between directorial, organisational and governance contingencies, the influence and focus of investor stewardship and the extent to which directors invest their affective, cognitive and behavioural resources to purpose, namely engagement as a strategic corporate development activity. Although the vast majority of directors I interviewed were at this point on the engagement continuum (16 out of 22), the changing nature of engagement means that it is never 'done' or 'complete'. When directors lack the support and conditions they need, their engagement can change and swing towards the opposite end of the continuum. I explain this position in the section below.

Engagement with Corporate Purpose as Conformity and Compliance

I found that the engagement behaviour of six directors out of the 22 plays out as conformity and compliance, addressing societal norms and legal obligations. At this point on the continuum directors begin to ‘marshal their cognitive resources’ (Boivie et al. 2016, p. 346) for corporate purpose, however engagement efforts target only certain aspects of purpose. All directors in this study operate in the macro and the Swiss context, under the same set of norms and rules. However, the Responsible Business Initiative, the activist movement wending its way across Switzerland, also helps explain engagement behaviour on this side of the continuum, particularly in the context of a great interest in transparency, as conformity and compliance are normally disclosed. Corporations would be liable for breaches of human rights practices (against themselves, their subsidiaries and main subcontractors, in Switzerland and abroad), and could be sued at home and under Swiss law. Directors who perceive this initiative as potentially resulting in additional regulation focus on ticking boxes, thus reinforcing an engagement behaviour of conformity and compliance, while for those at the opposite end of the continuum, the topic of human rights, at the core of the initiative, is part of how they enact social dimensions of purpose beyond conformity and compliance. Directors at the conformity and compliance end fear the arrival of an additional regulatory burden, and begin to organise themselves to tick as many boxes as possible, without thinking more deeply into, for instance, how to eliminate the problem in their supply chain or what technology could do to substitute child labour in factories. The following quotations and portrait of one director illustrate this dynamic:

> *There is pressure from society, in this country also pressure from direct democracy. The Responsible Business Initiative is the big one. It is on human rights and basically, it's a do-no-harm approach, based on human rights due diligence. It is all nice and fair, but eventually it will have a cost for companies. The way I understand it, is that they will pass hard regulation or soft codes of conduct. So we better make sure we tick all the boxes from now on, so we are prepared. I mean in certain countries it is very, very difficult to eradicate child labour, I think of South East Asia or Africa, it is just part of doing business down there, everybody knows it.* (Director, insider-current executive).

> *Governance and compliance, governance and compliance this is where politicians, investors, NGOs, activists are pushing us. Here in Switzerland we now have the Responsible Business Initiative. More and more regulation, more codes of conduct. So our energy goes into making sure we are and remain complaint, and play by the book. That is very important.* (Director, outsider-business expert)

> *We have a populistic movement in the world, which is also social media driven, where as a populist you will win elections and get power. We have it in Switzerland too, despite the fact that we have a consensus driven society, we have a polarisation and populistic views in the political arena. This is a very fertile ground for activism like the Responsible Business Initiative. We are getting ready for it, it will mean another cost for regulation and due diligence.* (Director, outsider-business expert)

> *Many NGOs claim these poor farmers or children in South America and Africa are exploited. I do not think so, I do not think that this is the case, because if you just exploit them, they might just drop dead or drop out of business, and your business would suffer. I do think that there are some issues, but it is not as bad as the initiative claims. In any event, that is also an example of how we create value, by obeying human rights laws or adopting codes of conduct, depending on what the outcome will be.* (Director, insider-current executive)

Director, outsider-business expert

> This director is also the CEO of a large European group in the retail sector and is passionate about the topic of purpose; however, he sees a problem. ‘If you asked 100 directors to write down what it means and how they go about it, you would get 100 answers. The problem is that I feel extremely squeezed into boxes everywhere, because let’s be honest, at the end of the day governance is about rules set by lawyers and governments. Therefore, all my efforts are to follow those rules so that I do not go to jail. For the codes of governance or conduct, I make sure I follow most recommendations, so I can explain what I do’. He recognised that sustainable value creation is much broader than conformity and compliance, but believes that it will take more than two generations to break free of shareholder value maximisation and short-termism. He feels quite frustrated about the amount of regulation on the work of directors. To remain on the safe side, his efforts and cognitive resources are geared towards meeting legal obligations (too many, in his view, even for Switzerland) and societal expectations. He explains that, to cover the environmental dimension of purpose, they publish a sustainability report. ‘It is an opt-in’ he adds, ‘but we still do it because society expects it’. In the board, he has taken the lead in refreshing the look and feel of the report so that it looks more appealing. To him, compliance is a key part of governance; unfortunately it has become its biggest part. His engagement is driven by playing by the book.

Furthermore, as Brest, Gilson and Wolfson (2018) argue, ‘the core of asset management is evaluation and comparison’ (p.5), the goal of investors being ‘to earn the highest risk-adjusted financial returns’ (p.1), hence in an ongoing effort to score well in ESG and sustainability evaluations and comparisons (such as the DJSI and FTSE4Good indices, or B-Analytics Ltd., MSCI[14] or Morningstar ratings), director engagement can remain a conformity and compliance exercise, rather than a fully strategic, value creating activity. This engagement behaviour is also explained by a combination of character, energy and courage marshalled towards avoiding or minimising risk, a view of uncertainty as something unfair, with directors feeling victims of circumstance. These directors do not operate well under uncertainty; they are unwilling and/or incapable of operating outside their comfort zone, because they are not eager to learn. They focus on those dimensions of purpose which are

[14] Formerly Morgan Stanley Capital Investment (https://www.msci.com/).

sources of risks to be avoided or minimised, prompting them to conform and comply. At this end of the continuum, directors wait for problems and role identities focus on the prestige and money associated with directorial positions. These govern the status quo, monitoring the company's affairs, making sure performance remains on track and the company is conforming and compliant; structural independence is regarded as more important (a tick in the box) than the capacity to produce independent thoughts and decisions.

The following quotations and two portraits of directors illustrate these dynamics:

> *The current business environment is unfair, very unfair. We are under the spotlight because insurance is a very regulated industry. We have to comply with so many laws and rules. All my time goes into making sure we obey the law. That is my governance role and I actually see it as such. We are a process and compliance driven board after all, and I like that, that is very much who I am. I like to be in control. Our chair supports this 100%. He sees everything else as a nuisance; I wonder what we could do to change his perceptions. Then we have Brexit, I mean now the government has to re-negotiate a deal. We do not know what the rules will be so we stopped a few projects related to climate risks because we need to know what the new rules will be. I cannot work on scenarios. I need certainties. In Switzerland board mandates are paid very well and you are very visible. I gave up my executive career to join boards and I have a good collection of well-paid seats.* (Director, outsider-business expert)

> *Frankly speaking, I have enough on my plate as is. Why should I take extra risk? At the moment I have a nightmare with taxation. That is my focus now. I mean, what is more challenging than cross-country taxation? Things are already very complicated. With everything going on with regulation, my priority is to make sure we remain compliant with the law and respond to key stakeholders. I do not have the energy to listen to everybody, so I pick the more dangerous ones, for instance employees and customers, and try to accommodate what they expect. Typically, you adjust their pay here and there, or their payment terms. As they say, do not change a running system, so I wait until something goes wrong, and then you have to react. I think this is also aligned with our investors. When I meet them they want to know about financials and any risk exposure. Fundamentally, I think that social impact or sustainability are only an add on, a nice to have, sometimes even a hassle. I do see purpose as value creation in a sustainable way, but it is a luxury, it is not existential. What is existential is financial results. Years ago we had a different chair, who was a pioneer of value creation, at a time when nobody was really talking about purpose. He was a very energetic guy, surrounded himself with top calibres. Then he left, and we were back on the basics, financial results.* (Director, insider-current executive)

I do believe, to a certain extent, that the younger members of a board have more energy for these topics and they can learn fast. Sustainable value creation is our purpose, but it has many dimensions, and you cannot address them all. The topics are very difficult to comprehend. Unfortunately, we live in a world that is very, very complex and uncertain. Look at the trade wars, look at Brexit. I keep my head down. For me it is important to deliver the numbers, and to obey the law and follow the codes of governance. That is what I know. I have been practicing this for some years now. That is the priority, how I see my role, which is very well paid… by the way, it is all public information. Maybe I am too old for this. I do see our purpose as creating value, and doing it sustainably. For instance, we have to reduce energy, we have to reduce resource consumption and that has a positive effect on costs. Going beyond that for me would require a huge learning curve. I do not have the time and the energy to do it, and our chair does not really seem to care that much, at least this is how I see him, but I am not very close to him like some of my colleagues. (Director, outsider-business expert)

Investors can be very unfair. I reach out, I meet them. They promise and then they vote against. So it is important to remain compliant and to keep things running smoothly, so you avoid surprises at the AGM as much as possible. That game I can play, I know that game. You show them how many women you have, how many independent directors, how much you pay the CEO, your financial results and everybody is happy, even our major shareholders. (Chair, outsider-business executive)

A business background and knowledge of the company are important in engagement as conformity and compliance, as directors with previous experience in business or in the industry are familiar with the relevant rules and norms. Furthermore, they tend to impose historical views and decisions, as this requires less effort and intensity of engagement. In addition, the authority that comes with directorial roles motivates this set of directors to control the company's affairs, contributing to explain their engagement behaviour. Playing by the book also means that one does what one is compensated for, namely a few meetings per year. Personal reputation, prestige and money, 'looking good' are important here, hence efforts are also made to be included in sustainability or ESG ratings, as these are important to stakeholders and to the broader investment community. Although engagement requires time, given that directors view conformity and compliance as standard governance activities, the time directors invest is regarded as remaining within the remit of what they are contracted for. Governance reports disclose directors' attendance at standard board meetings, while extra time spent on governance efforts is invisible to the outside world, another factor in why their focus remains on these limited activities. The following quotations and illustration explain these dynamics:

> *Of course, board members are motivated by money and prestige. I do not see engagement beyond obeying the law, issuing a sustainability report and trying to make it in the ESG sustainability ratings, like the FTSE4Good index, for instance.* (Director, insider-business expert)

> *It is because of me that we are in the Dow Jones Index, everybody knows it. That was a big step forward for the company. I had to work extra hours, which I normally do not do as my mandate is for six meetings a year, unless extraordinary circumstances require one or two extra conference calls.* (Director, outsider-business expert)

> *We are being assessed through external sustainability ratings, for instance by the Dow Jones Sustainability Index. I led these activities in another company so I know how to play and how these agencies tick. I see this as part of my role. As chair you need to be in control of the company and make sure you remain compliant with the law and show up in these sustainability ratings, as society and investors expect it. My plate is full as is, I do what I am contracted for, frankly even a bit more, because what is at stake is my reputation.* (Chair, outsider-business expert)

> *Participation in board meetings and conference calls shows up in our yearly report. Everybody can see who attended what. Anything extra is invisible to investors and the outside world. Directors are already very busy people. Some wonder why they should put in extra efforts when nobody would see it? I wouldn't. I have seen this problem in other companies.* (Director, insider-current executive).

> *Director, outsider-business expert*
>
> A veteran of the insurance industry, this director operates in cruise mode, very often referring back to how he solved this or that issue in previous roles and companies. So far, his knowledge and experience have been very useful to him. He has applied solutions he championed years ago also to this company and has always been able to

> improve financials and remain compliant. He struggles with ESG topics beyond sustainability reports and structural governance factors, such as executive compensation or percentage of independent directors. He recognises that the world of sustainable value creation and related ESG factors is much bigger than that but would need help to develop an understanding of these issues, their materiality and potential impact. He recognises that publishing a sustainability report and being included in ratings is only one aspect of the bigger picture of sustainable value creation. 'Maybe,' he wonders, 'all this effort for rating agencies is keeping us away from strategic value creation, from innovation.' Although he needs help to learn, he does not feel comfortable in raising the issue either with the chair or the board, fearing he will be judged as incompetent or 'old'. He understands that purposeful business is 'a trend in our society and it is here to stay' and feels ill-equipped to serve it. 'My role is control, first and foremost,' he remarks.

Another factor contributing to this engagement behaviour is chair conduct perceived as reinforcing the importance of risk avoidance, of remaining within the law, and addressing social norms as priorities for creating value. An inward-looking, process-driven culture of control, where minimising risks and box-ticking are of primary importance, coupled with board functions perceived as process- or control-driven, and a lack of board structures built around purpose and ESG topics, or which only address some of these elements, also contribute to explain conforming and compliant engagement behaviour, as the following quotations and portrait indicate:

> *We discuss strategy many times at executive level but in the board only once a year, and I think it is not enough. If the ultimate responsibility of the board is strategy and the strategic direction of the company, how come we only discuss it once a year? All we do is process and financial audits and control. So of course, I put my efforts in remaining compliant.* (Director, outsider-business expert)

> *We do a lot for the communities, in schools for instance. We have a community committee in the board, and they take care of these programs. Society expects them; I think most of our competitors do it. I think we started to do that one beautiful day because the chair wanted them, and now the problem is you cannot stop it anymore, right, because they expect it. The impact on the reputation would be negative, and in the board we care about our reputation and that of the company of course.* (Director, insider-business expert)

Director, outsider-business expert

> She has been serving this board for some years, under the same chair. They have grown to know each other and she believes she has his respect. She is passionate and deeply cares about purpose. To her, engagement means that a director would even serve on the board, at least for a while, without being paid. What is needed among her peers in this company is a true sense of service, 'less control and more service', she adds. The company culture is slowly changing, becoming less authoritarian and more open, particularly with employees, given that in the past the company has not been an employer of choice, their image being a bit old-fashioned. She admits that she does not fully grasp the materiality of all dimensions of purpose or ESG factors. She would need more time and more help to do so. Unfortunately, the way the board works is that these topics are not included in the agenda. Over the last three years they had only one deep-dive session (on cyber security), and there was no follow-up or opportunity to dig deeper. The chair does not see this as relevant, believing and expecting directors to already have what the role takes. 'At the end of the day, that is why I selected them to join this board in the first place,' he is reported to have said. I ask her to describe a 'typical' board meeting. She mentions that they go through financials, human resources issues, the CEO report and audits (financial and process). At times they invite executives to present strategy or special initiatives. When I enquire about board structures, and mention the ones listed in the corporate governance report, she nods, adding that to tackle the challenges they face, whether climate-related risks, cyber security, consumer behaviour changes, social inequality or aging population, all relevant to insurance, they would need focus and help at board level, for instance an advisory board or a committee on one of these pressing issues.

This engagement behaviour is also explained by directorial perceptions of investors as box-tickers, interested in board structure (as regards the number of independent or female directors, committees), or disclosure (remuneration and/or sustainability reporting). They share a view of investors as dependent on proxy advisors, struggling to understand ESG topics and how to integrate them in their investment decisions, and therefore remaining distant from how companies create value. This affects director engagement, because ESG discussions, when they happen, are one-off events, and remain focussed on risks. Directors also suffer from a lack of direct or indirect feedback from the chair on engagement activities with investors, with some wondering whether anything is happening beyond the AGM.

> *I do not think our chair meets investors. He delegates this to investor relations, the CEO and CFO, as they are more in the details of financial performance and forecasts. If he does, he does not share feedback with me*. (Director, outsider-business executive)

> *Once, ten days before the AGM, I received an email from a large US proxy advisor. This guy sent me a 400 pages report on our company, asking me to kindly review it and give feedback. He even mentioned that they were doing this as part of the service for (…) pension fund, one of the largest in Switzerland. I almost fell off my chair. I mean, out of the blue, without ever speaking to me, or my team or anybody else, you expect me to review your work? I deleted the email. You see, these investors and these proxies they are just box tickers. That is why there is so much emphasis on compliance and being conform with codes of governance. That is what I do. Where is sustainable value creation in that?* (Director, insider-current executive)

> *Once, the chair had a meeting with different representatives of the same investor, who met for the first time at the meeting. One was the portfolio manager (with a partner) and the other the ESG expert. Clearly these people never spoke as they did not know each other and they work for the same investor. He told me that they asked 'quiz' type of questions (how many board members do you have? How many meetings per year?), information we disclose. That is only one tiny part of ESG, I think. I am not sure because we really do not discuss these topics in the board. I have to say I do not know much about materiality or social sustainability. Having this type of investor does not make me feel the urgency to learn more as what is important is that we tick all the boxes.* (Director, outsider-business expert)

Directors view engagement as possible in both public and private ownership, as tensions exist in both and shareholder behaviour can exacerbate the human tendency towards present or immediate, future results. Nonetheless, their view of what engagement entails and the extent to which they commit their cognitive resources to purpose, remains limited to meeting formal or informal expectations. Furthermore, current views defining ESG factors as 'non-financial', combined with the lack of globally accepted standards, contribute to this engagement behaviour, with ESG factors being regarded as an add-on. The following quotations and vignette of a director illustrate this effect:

> *Sustainability issues are still an add-on; we seldom discuss them because they are not seen as core business. This is also what I hear from some investors, and what I read in*

the press. Even the EU directive for Integrated Reporting talks about these factors as non-financials, you see? There are no standards in this area. Until we have standards, as we have in financial reporting, what is the point? You cannot measure them. (Director, insider-current executive)

To an investor, purpose and ESG topics sound good but not many investors actually understand how the companies they invest in create value, what their purpose is. They do not really understand which ESG factors are relevant, material to that company. This does not help our commitment to purpose as a whole, in all its dimensions. We do what we know. For me that is financial performance and obeying the law. (Director, outsider-business expert)

Director, insider-current executive

She has recently joined the company as director, and is new to the industry. She spent a long time in the extraction business, and is very familiar with complying with regulation and addressing informal expectations. She sees a change in the investor community, as the topic of purpose and ESG seem to be *en vogue*. Nonetheless, structural governance elements remain the focus of investor stewardship. Consequently, board attention tends to revolve around conformity and compliance, particularly when the chair's attention does not go beyond these important aspects of governing a business and directors lack understanding and interest, and view their role as control. She has limited experience of this particular board but, as far as she can tell, this is a different board and attention seems to be on strategic corporate development, as should be the case in a Swiss board, beyond managing the business. The problem with the lack of ESG standards, and views focussed on conforming and being compliant, is that although these topics sound very interesting to the world at large, there is a lot less clarity when it comes to a direct link of influence and materiality to decisions directors make. She mentions that out of ten conversations with investors, nine are on financial performance and some elements of governance, and one touches on ESG. She sees structures around ESG and purpose topics at or below executive level, but rarely at board level which, in her view, does not help director engagement, given that focus is lacking and director understanding of these issues is not yet there.

Outcomes of Director Engagement with Corporate Purpose

This thesis rests on the premise that there is a need to better understand how individual directors can make a difference, so that corporations can create value for society as well as for investors. Potential outcomes of director engagement include directorial decisions and actions, board engagement, and the institutionalisation of corporate purpose, a condition for long-lasting value creation. Trust and reputation develop along the way. Engagement can influence directorial decisions and actions, as cognitive structures and processes influence strategic choices (Porac & Thomas 1994; Narayanan, Zane & Kemmerer 2010), responsiveness to stakeholder concerns (Bundy, Shropshire & Buchholtz 2013) and responses to activist pressures (Waldron, Navis & Fisher 2013). Director engagement can contribute to board engagement, given that some directors can sway the group in one direction or another (Judge & Talaulicar 2017). Boards are often thought of as abstract entities, yet they are made up of human individuals, and their decisions boil down to individuals' votes. Through engagement, directors can mobilise the capacity for the board to make a difference by contributing to board engagement, starting with a shared understanding of purpose. Given the shifting nature of engagement, directors may find themselves at different points on the continuum, thus engagement at group level requires a certain set of conditions, which would need to be examined (I will return to this point). The following quotations illustrate board engagement as an outcome:

> *I think it's not only individual board members that need to remain engaged. It's the engagement of the board as a whole that we also need for creating value, as decisions are passed with votes, at the end of the day, but you build the engagement of the board also through that of individual members. It is a constant cycle.* (Director, outsider-business expert)

For individual directors, it is important to really appreciate that you're in a group, whose responsibility is purpose, but that you, individually, need to engage and remain engaged on all dimensions of purpose. That can lead to engagement of the board. (Director, outsider-business expert)

You can have directors engaged with the future of the company but an indecisive chair, who also does not lead investors to align behind purpose, then you might not be able to bring the company forward. (Chair, outsider-business expert)

If you have a chair at the mercy of the CEO, where the chair sees the board just as a rubber stamp, then you will never have an engaged board. How can you create value then? (Director, outsider-community influential)

In time of crisis, coalitions of board members can form, with their own personal agendas. Then you lose engagement, or you just start fighting. The chair needs to make sure this does not happen and the board remains united behind purpose. (Chair, outsider-business-expert)

With the limited number of board meetings we have, if you have company culture where frank speaking and diversity of thinking is not appreciated, in a large board people can easily hide. Then you have some who drive the company and others who are just passengers in the back seat. (Insider, current executive)

You can have very engaged directors who cannot work together, or a Chair who is not creating the conditions for them to be really engaged, and at the end you do not have engagement at board level. (Director, outsider-support specialist)

Most importantly, board engagement is needed to institutionalise purpose, the ideal end point of the story of director engagement. Through institutionalisation, I found that purpose might evolve, from being the product of individual and board understanding and resource commitment, to a level of objectivity where it becomes normal business. The following quotations illustrate this potential outcome:

With engagement with purpose we should get to a point where nobody would dream of questioning what it is and why it matters. It is not going to be easy, but that is the final destination (Chair, outsider-business expert)

> *I actually think that in our company the board has kind of institutionalised purpose. I am pretty sure that without me and the board this company would continue to create value and be driven by purpose because it is everybody's business and it transcends individual directors or the board. But you need to keep working on it, you cannot take it for granted. It is like quality management. You cannot drop the ball.* (Chair, insider-former executive)

> *I think that these topics are going to have a huge impact on corporate governance, policy and society. Ideally you want purpose to become normal business. Nobody questions that quality management is essential to business. We should get to a point where it is the same with purpose. When purpose becomes institutionalised, in a way, then it lives its own life and is independent of certain people or boards. To get there, directors and boards have a huge role to play to engage and remain engaged. I see this as a huge challenge of the future, but that is the goal.* (Vice-chair, outsider-business expert)

In addition, I also found that director engagement can reinforce trust and reputation at individual and company level. Trust and reputation are products of a combination of rational judgements, and emotional and affective evaluations (Park & Rogan 2019; Pollock et al. 2019). Hence engagement, trust and reputation share affective, cognitive and behavioural dimensions. Engagement behaviour can contribute to trust and reputation when directors commit their resources to meeting informal and formal expectations. It is, however, through engagement as corporate development that directors and corporations can earn and strengthen trust and reputation in society and among stakeholders, because this is where directors create the future of the company and its sustained ability to create value. The following quotations illustrate this potential outcome:

> *To build trust and reputation for yourself and the company you can start by obeying regulation and operating in a way that meets society's expectations, for instance save on energy consumption or respect human rights. To me that is the basic. But when I show what I am doing to contribute to the climate transition, that is where I really earn trust and therefore reputation, for myself but most importantly for the company. Then to keep that trust I need to deliver, clearly.* (Chair, outsider-business expert)

> *With engagement we can build trust and reputation. For that you need trust, and therefore it's not bad to care about your and the company's reputation, because trust drives reputation of the company, its people, its products. So often, reputation is looked at as, 'Oh, they only do it because of reputation,' but since reputation is linked to trust, and with engagement you can contribute to trust and reputation, it's a good thing to care about them. It is not the only end game, but it is important that stakeholders and society trust you and that you are known for something positive.* (Director, outsider-support specialist)

In summary, I have found a clear and relevant connection between directorial, governance and organisational contingencies, how investors enact their stewardship duties, and directors' engagement behaviour as conformity and compliance, where the extent to which directors commit their resources to purpose is limited, and more is needed for corporations to create value.

All directors in this study share the same view of purpose as sustainable value creation, their engagement is affected by the same set of contingencies, and they all have to deal with the same potential range of investor stewardship behaviour, from box-ticking to constructive engagement. Nevertheless, the extent to which they commit their affective, cognitive and behavioural resources to purpose varies between two extreme points, conformity and compliance, and corporate development, with the greatest benefit to corporations, society and investors derived from directors moving towards or at the furthest end of the continuum. Dependencies along the continuum can not only affect engagement *at* one end, but also the movement *between* the two ends. While changes in personality, consisting of relatively stable human traits, may be difficult to effect[15], courage and resilience can be developed. Changes can also be effected in role identity, motivation, level of energy and passion, exposure to

[15] Personality changes have long been thought of as 'impossible by definition' (Gendlin 1964, p. 101), while scholars have recently argued that they may be possible (for instance as a result of self-development, or personal and professional disruptive experiences) (Tasselli, Kilduff & Landis 2018).

generational shift, competence and time availability, chair or chair behaviour, board structure and process, company culture or its perceptions, investor behaviour, investor understanding of companies and ESG factors, and investor dependency on proxy advisors, all of which can contribute to move director engagement behaviour in one or the other direction, with important consequences for decision-making at board level. For engagement to have the greatest, most positive, effect on value creation, it needs to operate at board level, as it is at group level that corporate activity is decided. Board engagement is also needed to reach the end point of the story of director engagement, namely the institutionalisation of corporate purpose. In parallel, director engagement can also contribute to nurturing stakeholder and societal trust and reputation (of both directors and the company).

Before proceeding to *Discussion and Contribution*, it is important to address the issue of the trustworthiness of the findings from this case. Quantitative research is concerned with measuring that which is supposed to be measured, enhancing confidence in the results through validity and reliability. In qualitative studies, however, increased confidence in the findings is achieved with establishing trustworthiness, which required me to strengthen the case validity and reliability. To strengthen case validity, I triangulated the data between interviews, participant observations and documents. I also created an audit trail of key decisions made during the research process (all written down in chronological sequence in my journal), established a chain of evidence, and data analysis strategies which I followed during the three-step analysis. I also endeavoured to maintain reflexivity throughout the study, for instance by seeking to make my argument clear, or by remaining aware of my own bias, or by transparently reporting unexpected events and decisions I made throughout the research process (for instance out-of-scope issues, or that industry matters and functions as an organisational contingency, or by indicating what took me by surprise, or by dwelling on some topics, such as institutionalisation of purpose, and how I came to understand what it is and how it relates to this case). I used informants to check my interpretation, helping me to build a picture of the story of director engagement, and also took the time to reflect on and justify the hidden and the half-phrases that I captured through field-notes or in my own visual memory. To strengthen the case reliability, I strove to write a clear description of this study, its focus, why and how I identified and selected certain participants. I also kept (and regularly backed up) detailed field-notes, memos, transcripts, files and notes to enable any researcher to replicate the research process.

What do the findings of this study mean for the broader debates on corporate purpose? How can corporations create value, and how can directors make a difference to their companies? In the next chapter I discuss the implications for theory, policy and practice.

Chapter 5: Discussion and Contribution

Introduction

In this study, I aimed to understand corporate purpose; the main elements and dynamics of director engagement with purpose; what constitutes director engagement with purpose; and how investor stewardship influences it. My argument for understanding when and how engagement happens is situated within broader debates on purpose, how directors, as governance actors, can make a difference to their companies, how institutional investors can enable director engagement and how corporations can create value for society as well as for investors. In this chapter, I bring together the findings of this case, discuss and position their implications within these broader debates and for the study of corporate governance. The chapter is organised as follows: firstly, I present the story of director engagement, showing how I answered the research questions and attempted to model the theoretical relationship between the concepts and constructs of this study; secondly, I outline my original contribution to knowledge; thirdly I present the implications of this study for strategic cognition theory and for other theories I reviewed in the chapter entitled *Literature Review* (namely agency theory and resource based view), followed by implications for policy and practice. I conclude by discussing the limitations of this study and highlighting future research directions.

The Story of Director Engagement with Corporate Purpose

This thesis rests on the premise that corporations are powerful institutions whose purpose is relevant, as they exist to create value for society as well as for investors, and that in investor capitalism, institutional investors play a powerful role. Corporate governance is concerned with the structure of rights and responsibilities amongst those holding a stake in a company, and with corporate power being properly channelled to the benefit of society. Directors are key governance actors, and beneficial changes to the governance of corporations are among humanity's most daunting challenges. Against the backdrop of the troubles of our time, and the need to look beyond maximisation of shareholder value as corporate purpose, we lack a shared view as to how corporations can create value, how directors can make a difference, and how the stewardship of institutional investors, legitimately concerned with protecting and enhancing the value of the assets entrusted to one's care, affects corporations. In this thesis, I argue that if we are to understand how corporations can create value, we need to examine how directors can make a difference by engaging with purpose as a directorial, SC process, and how institutional investors contribute to their engagement. In particular, I argue for the need to study individual directors, so that we can account for the variances among them. Given the well-known difficulty in accessing directors, SC at directorial level has been difficult to capture, and remains under-researched.

This story of director engagement begins with directors operating in a macro context characterised by complexity, uncertainties and difficulties, a crisis of trust towards corporations, social unrest, climate change disasters (as I write, the Amazon forest is burning), and activism aiming to alter corporate conduct. In essence, directors face 'overwhelmingly important challenges' (McGahan 2019, p. 8). Directors of Swiss listed corporations operate by law within a two-tier system of board responsibility: both for the management of the company and its strategy, together with a fiduciary duty to act in the interests of the company. Swiss law prohibits the delegation of key responsibilities (including strategic, personnel and financial) to management. Directors also have a duty of equal treatment of shareholders and non-disclosure of insider information. Shareholders are legally required to elect directors every year, and are empowered to exercise their voting rights. These legal obligations exist within a broader, light-touch, *laissez-faire* regulatory framework giving directors room to manoeuvre. In Switzerland, hard and soft regulation tends to follow EU developments. Institutional investors (national and international) make up 86% of sustainable investment in the Alpine nation, the integration of ESG factors playing a key role in the exercise of stewardship, which remains about value, or maximising returns. Recently, Switzerland reported an increase of 140% in ESG voting, 90% in ESG integration and 27% in ESG engagement (Swiss Sustainable Finance 2018). Nationally, and internationally, the tide of investor engagement is shifting, and investors increasingly engage in corporate governance activities. At the level of society, the Swiss militia system, a cornerstone of the country's life, is dwindling, and the old boys' club that used to elect directors from and for the system is breaking up. Swiss direct democracy gives the people the right to propose and vote on changes to laws and the constitution, and activism is therefore part of the Swiss way of life. The latest Responsible Business Initiative, ongoing since I started this thesis, could entail fundamental changes in the way Swiss corporations are managed and governed. Enshrined in the Swiss constitution, sustainability is embedded in the national character, and the Swiss value system is evolving from discipline, obedience and subordination, towards autonomy, equality, self-development and self-determination. Swiss society is slowly becoming more individualistic and pluralistic, interested in authenticity, transparency, living a purposeful life and making sure that corporations contribute to address challenges in society.

In this context, directors, as governance actors, are trapped by cognitive limits such as bounded rationality (Simon 1957) and behavioural bias (Mantere & Ketokici 2013), with imperfect and incomplete perceptions of what happens around them. Director engagement unfolds as a strategic cognition process of knowing and understanding purpose, as an essential step for directors to add value, and corporations to create value for society as well as for investors. Director engagement is not an isolated cognitive process; rather it unfolds within a specific context of rules of the game, written and unwritten norms, values, routines and traditions (DiMaggio & Powell 1983; North 1990, 1991, 2005; Scott 2013), national and international institutions (Aguilera & Jackson 2003; Aguilera, Judge & Terjensen 2018; Dau, 2012, 2013, 2017; Eden 2010; Kostova, Roth & Dacin 2008; Li 2013; Li & Qian 2013; La Porta et al. 2000). This story of engagement is a testament to the importance of context in studying directors and corporate governance. Engagement begins with a directorial understanding of purpose as sustainable value creation and evolves as a strategic choice of individual resource commitment to it, as an important component of strategic decision-making. Corporations are regarded first and foremost as commercial entities which exist to create value, but what is distinctive about purpose in the twenty-first century is *how* value is created. The extent to which directors commit their affective, cognitive and behavioural resources to purpose depends on a set of directorial, governance and organisational contingencies, and how institutional investors carry out their stewardship duties. In the following sections, I turn to how I answered the research questions of the study.

With reference to RQ1, ‘What is corporate purpose?’ directors regard it neither as a philosophical topic related to corporate social aims, nor about moral obligations, but rather as the *raison d’être* of commercial entities which exist to create sustainable value in the broadest sense. In other words, purpose entails financial, social and environmental dimensions related to financial health, how the corporation serves society's needs, and how it contributes to respecting, caring for and protecting the natural environment. Purpose is strategic in nature because it encapsulates how companies create value by assembling and mobilising resources. It relates to how social changes are anticipated and addressed, involves directorial goal-setting and decision-making, and includes a broad set of activities implying strategic choices and related to strategy and strategic behaviour for value creation. Purpose entails the necessity for corporations to meet or exceed informal and formal obligations, and short- and long-term timescales for value creation, as these aspects belong to managing a business in the twenty-first century and ensuring its capacity to continue to create value. In this respect, purpose is about long-lasting value creation, 'more socially inclusive and less dependent on exploitation of finite resources and the natural environment' (EU 2018, p. 3).

Concerning RQ2, 'What are the main elements of director engagement with corporate purpose?' director engagement emerges as an affective, cognitive and behavioural mechanism, its main elements being a set of directorial attitudes, values and beliefs, and behaviours. Attitudes include concern and interest, passion, energy and commitment, and mindset. They comprise concern, and a personal interest for the company's present and future, a healthy scepticism for information, and an interest in digging deeper, to learn and understand the detail and the big picture. They include a down-to-earth approach, sustained energy and passion for the company and the role, attitudes to risk, business, governance, investors, life, money and prestige. Values and beliefs also encompass thinking and understanding, knowledge and insight. These cognitive dimensions include thinking issues through, in new ways, for the short- and the long-term, and in an integrated manner as purpose is multidimensional. They further include the capacity to comprehend the business, the industry and its context, and to anticipate changes to ensure a sustained capacity to create value. They require belief in the value of making a difference and serving the company, alongside personal values of accountability, achievement and discipline, self-respect and respect for others and for the natural environment, and added to a global perspective and an understanding of how ESG factors affect value creation. Directorial behaviour comprises proactivity, authenticity and asking questions. It includes seeing and doing things before others; being active, interested and switched on; bringing topics up and reaching out to investors, other stakeholders and society. It requires an ability to be true to oneself, 'fighting the fights that need fighting', being hands-on, knowing when and how to ask questions, and questioning the status quo.

In relation to RQ3, 'How does director engagement with corporate purpose unfold?' engagement occurs to the extent that directors marshal their affective, cognitive and behavioural resources towards purpose, the nature of engagement being time-limited and transitory. Engagement is predicated along a continuum ranging between two extremes: conformity and compliance, and corporate development, each implying strategic choices, or a comprehensive set of decisions related to sustainable value creation. The answer to the normative question 'where is the optimal point on the continuum' (Eisenhardt & Zbaracki 1992, p. 21), is corporate development, where the greatest benefit to corporations, society and investors is derived, as all dimensions of purpose are addressed through director engagement. The continuum reflects the essence of engagement as a human, cognitive process that is neither a linear progression, nor an engaged/disengaged dichotomy. Directors can be found at both ends, and can move along the continuum at any time. Given its transitory nature, engagement can vary significantly in terms of resource commitment, depending on a set of contingencies at directorial, governance and organisational level, and on the influence and focus of investor stewardship, and thus it is never 'done', 'complete' or 'achieved'. Directorial contingencies include personality, role identity, competence, motivation, generational shift and time. They encompass personality traits like the courage to question or branch out from the status quo; resilience, and strength of character. They also include a view of the directorial role as making a difference; steering the ship (as opposed to only managing and monitoring the status quo); driving strategy towards value creation (versus only meeting formal and informal obligations and delivering the numbers); nurturing both broad and deep knowledge (rather than using only existing, deep or broad knowledge); being motivated by a sense of duty to make a difference (as opposed to primarily by money and prestige); a view of ESG factors as opportunities to seize at an acceptable level of risk (as opposed to simply risks to avoid or mitigate); exposure to generational shifts (versus looking inward); and investing time (rather than limiting efforts to the contracted time). Contrary to studies attributing a role in cognition processes to age demographics (Finkelstein & Hambrick 1990, Hambrick & Mason 1984; Kaplan 2011; Norburn & Birkey 1988; Wieserma & Bantel 1992), engagement emerges as independent of age. Furthermore, director type does not play a role in director engagement, with the exception of outsiders-community influencers (academics in this case) to be found at the furthest end of the continuum and in governance structures built around purpose, which I present below. Governance contingencies encompass the chair, board structure and process, integrated reporting and public ownership. They comprise how the chair enacts its role, particularly in director selection, lining up the 'right' directors (as opposed to filling seats), and engagement with investors (rather than only responding to investor requests), attracting and securing the 'right' sources of capital, aligned with purpose and the trade-off it entails. At board level, beyond a common understanding of purpose as the core of every decision, and making purpose an explicit agenda item, it is important to build structures such as committees, advisory and stakeholder boards around purpose, representing a learning opportunity for directors in topics related to purpose and ESG, either directly (as members) or indirectly (via feedback). Through these structures, directors can access expert scientists, scholars and practitioners and the latest research on specific topics. Current views which define ESG factors as 'non-financial', and the practice of integrated reporting by the inclusion of non-financial reports in annual reports, together with the lack of global ESG standards, promote the illusion that ESG risks and opportunities are anything but financial (hence a matter of conformity or compliance), and hinder engagement at (or towards) corporate development, which, for its full value-creating potential, requires ESG factors to be accounted for in numbers both in decision-making and reporting. Engagement is viewed as equally possible in public ownership, and depends, beyond all other factors, on institutional investor behaviour. As for organisational contingencies, a culture embracing learning, change, and failure as part of success (as opposed to one of status quo, process and control), supports director engagement as corporate development. Contrary to SC (Narayanan, Zane & Kemmerer 2010), and corporate governance studies (Datta, Rajagipalan & Zhang 2003; Galbraith 1973; Judge 2011; Zahra 1996; Zahra & Pearce 1989), which see industry as a contingency affecting cognition, director engagement is in fact independent of industry, or in other words, is industry neutral. Along the continuum, tensions between the short- and long-term do exist; however they are perceived not as the result of investors *per se* pressuring directors into short-term reactions, but rather because an investor behaviour can exacerbate *la condition humaine*, the human tendency towards a 'temporal focus' (Gamache & McNamara 2019, p. 919), i.e. a predisposition towards immediate results. Such investor behaviour displays a lack of strategic orientation, limited or no engagement, dependence on proxy advisors, a lack of knowledge of the investee company and a time horizon misaligned with purpose.

Concerning RQ4, ‘How do institutional investors contribute to director engagement with corporate purpose?’ institutional investors shape director engagement through investors enacting their stewardship duties, which remain about asset value maximisation, with recurring, strategic engagements exercised around ESG topics and how companies create value. Investor and investment size do *not* play a role, as small investors are also able to demand director attention and influence engagement as corporate development, if certain conditions are met. Investor stewardship influences engagement with purpose towards or at corporate development, depending on investor behavioural integrity, knowledge of the company, strategic relationships with directors (chairs and vice-chairs in particular), limited or no use of proxy advisors, and an investment time horizon aligned with purpose. When these conditions are not met, investor stewardship supports engagement at or towards conformity and compliance, as financial performance and structural governance matters are the focus of engagement (when it happens), rather than strategic topics; proxy services fill investor knowledge gaps and direct their votes; and investment time horizons are not aligned with purpose.

Concerning RQ5, ‘How can corporations, through director engagement with corporate purpose, create value for society as well as investors?’ the institutionalisation of corporate purpose is the end point of the story of engagement, and encapsulates what is needed for directors to make a difference, and corporations to create long lasting value.

Through director engagement, value can be created by ensuring that purpose evolves from being a product of individual and group understanding and resource commitment, to a level of objectivity where it becomes normal business and everybody's business, in other words by institutionalising it. In order to reach this point, director engagement needs to translate into directorial decisions and actions and to be instrumental in board engagement, so that the board can support the institutionalisation of corporate purpose, in order that it is no longer dependent on individual or board understanding. In other words, the story of engagement ends with institutionalising purpose because, through this process, purpose can become embedded in the social structure of the corporation, helping it to create lasting value for society as well as for investors.

Having articulated the story of director engagement, I now present my original contribution to knowledge.

Contribution to Knowledge

With this thesis, I offer an original contribution to knowledge in the area of strategic cognition (SC), by presenting an initial model of director engagement as a strategic cognition process of knowing and understanding corporate purpose. In particular, I offer the following contributions and theoretical implications.

Firstly, I developed an initial understanding of how directors perceive corporate purpose. I recognised directors as strategic decision-makers who perceive corporate purpose as sustainable value creation, and as a key part of enacting their fiduciary duties where monitoring, service and strategy are intertwined. For directors, purpose is neither about the social role of corporations nor about moral obligation; rather it is strategic in nature and multidimensional, with its sustainability attributes entailing financial, social and environmental aspects in the short and long term. This interpretation of purpose represents an initial step towards reconciling different views on what corporations are for, and begins to answer calls for corporations to rethink the way business is done and governed (Boivie et al. 2016; Edmans 2017; Hollenbse et al. 2014; Martin et al. 2016; Mayer 2017; Mayer, Wright & Phan 2017; Metcalf & Benn 2012; Pirson & Lawrence 2010; Starbuck 2014). This finding is pivotal in light of current academic and practitioner debates in corporate governance, specifically on the role of corporations, for instance those regularly reported in *The Guardian*, *The Economist*, or *Financial Times*, the Future of the Corporation Program of the British Academy for the Humanities and Social Sciences (Hsieh et al. 2018), the US-based Business Roundtable (Gelles & Yaffe-Bellany 2019) or the US Chamber of Commerce Foundation (Keller 2018). Overall, these debates position corporate purpose as the *Zeitgeist* of our century, defining the company of the future as being about ‘profit and purpose’ (Hengeveld 2019) to fullfill its moral obligations towards society. On the contrary, this study shows that corporate purpose is viewed as strategic and multidimensional in nature, and includes profit as one key condition for corporations to be financially healthy in the short and long term and as part of creating sustainable value along financial, social and environmental dimensions which constitute the *essence* corporate purpose. Consequently, if we are to more insightfully understand how corporations can create value for society as well as for investors and help them to do so, we need to shift the debate on purpose away from ‘profit and purpose’, doing good, being socially responsible or taking stakeholders requirements into account because of ethical or moral obligations, towards purpose as encapsulating how corporations create value in the twenty-first century, so that we can better understand how the strategic and multidimensional nature of purpose can guide directorial choices which ultimately result in corporate actions. Hence, we need to frame the purpose debate in terms of strategic, sustainable value creation.

Secondly, I seek to make distinct contributions to strategic cognition (SC) theory and the literature on corporate governance. As for strategic cognition, I offer an initial model of director engagement with corporate purpose as a SC process at directorial level. This has a number of theoretical implications. First, the model predicts when and how directors, as corporate governance actors, engage with purpose as sustainable value creation, offering rare insights into, and an improved understanding of how director engagement as a novel and understudied phenomenon of directorial cognition, which emerges as the key mediating process by which external factors affect director engagement which in turn leads to strategic outcomes relating to value creation. I shed light on the nature, elements and dynamics of director engagement as cognitive process, addressing calls to open its black box (Bergman et al. 2016; Bundy, Shropshire & Buchholtz 2013; Haleblian & Rajagopalan 2006; Narayanan, Zane & Kemmerer 2010). The scant literarure on directorial cognition (Bergman et al. 2016; Bundy, Shropshire & Buchholtz 2013; Haleblian & Rajagopalan 2006), assumes that demographics (background, age, nationality etc.) and certain macro characteristics (such as industry) are good measures and predictors of cognition (Bergman et al. 2016; Finkelstein & Hambrick 1990; Finkelstein & Mooney 2003; Kaplan 2011). Yet, the model of this study suggests that this assumption may be faulty, as without an in-depth understanding of a set of directorial attitudes, values and beliefs and behaviours and a set of contingencies to engagement we cannot predict directorial cognition (engagement with purpose) which in turn might affect board behaviour towards value creation. Engagement is an individual process of strategic choice that unravels through affective, cognitive and behavioural mechanisms, and is predicated along a continuum ranging between conformity and compliance, and corporate development. The continuum reflects the transitory nature of director engagement as a process through which directors understand purpose and commit their resources to it. Engagement unfolds neither as a linear progression, nor as an engaged/disengaged dichotomy, as directors can find themselves *at* and moving *between* both ends of the continuum, depending on a set of contingencies at directorial, governance and organisational level, and their dynamics. For strategic cognition theory, this implies that directorial cognition acts as a key mediating mechanism between the context where directors operate, featuring, among others, institutional investors, and strategic outcomes of sustainable value creation. This implies that external stimula, whether hard law, investor activism or the dwindling of the Swiss old boys' club, not only can reinforce cognitive structures, as previos research in SC has argued (e.g. Barr, Stimpert & Huff 1992; Gary & Wood 2011) but can profoundly alter them, for instance by shifting the level of comprehensiveness and focus of directorial resource commitment to purpose, and that this 'alteration' is temporal in nature. This has relevant theoretical implications, as exploring when external stimula and individual factors are more likely to challenge or bring about change in directorial cognitive understanding of purpose and engagement is an important area for future research in SC theory. The greatest benefit to corporations, society and investors is derived from directors moving towards and remaining at the furthest end of the continuum, that of corporate development. The initial director engagement model demonstrates that directors sharing the same understanding of corporate purpose and influenced by the same set of contingencies, can significantly vary the extent to which they commit their affective, cognitive and behavioural resources to purpose. This has important consequences for directorial decisions and actions. Directorial actions can be directed at meeting and exceeding formal and informal obligations, or can also embrace a broader spectrum of corporate development activities, in turn affecting value creation. Along the continuum, engagement depends on a set of directorial contingencies which include personality, director role identity, competence, motivation, generational shift and time. Governance contingencies include the chair, board structure and process, integrated reporting and public ownership, and culture as organisational contingency. This study's conceptualisation of director engagement with corporate purpose is of crucial importance because it warrants an evolution in our understanding and theorisation of director engagement from a dichotomy engaged/disengaged towards engagement as a transitory, human, cognitive process of knowing and understanding corporate purpose as sustainable value creation and of individual strategic choice of resource commitment to it. Conceptualising engagement along a continuum which is neither a linear progression nor is ever 'done', 'complete' or 'achieved' brings the corporate governance field in general, and the study of directorial cognition in particular, forward in several ways. First, viewing director engagement in this way can help us to better understand the challenges directors face in their quest to deliver sustainable value creation, how these challenges may change over time, and the initial set of factors director engagement is dependent upon. Second, the study identifies a number of contingencies constraining or enabling engagement. Some of these factors operate at individual level, for instance concern and interest, passion, motivation, knowledge and insight, role identity, time or personality, while others operate at organisational (culture), governance (chair, board structure and process or integrated reporting) and institutional investor level. Hence, keeping directors engaged at corporate development (the optimal point on the continuum as it lends the highest level of comprehensiveness of engagement) and the movement of engagement along the continuum depends on directors themselves but also of the company they serve (culture), its governance *modus operandi* and its owners, namely the stewardship of institutional investor (I will elaborate on the latter point in the next section). Third, while previous work on director (and board) effectiveness has focussed on either directors' incentives and motivation in agency perspective (Eisenhardt 1989a; Fama & Jensen 1983a) or directorial abilities in resource-dependence tradition (Hillman & Dalziel 2003; Johnson, Daily & Ellstrand 1996; McDonald et al. 2008), conceptualising director engagement as a multidimensonal, strategic cognition process of individual choice of resource commitment to purpose connects with and brings closer together these perspectives. For example, it puts forward a view that monitoring, providing resources and being a resource represent not only directorial tasks or roles in reality intertwined, but, most importantly, that they are a function of a directorial strategic cognition process of engagement which represents one essential, mediating mechanism or link between context and the outcomes of strategic actions for value creation. Furthermore, recognising the role of individual, strategic choice of resource commitment demonstrates that directors do have an important role to play in value creation (Huse et al. 2011; Huse & Gabrielsson 2012), which incorporates elements of directorial monitoring and service, answering most recent calls to study directors from the perspective of value creation (Kumar & Zattoni 2019). Fourth, the conceptualisation of director engagement proposed in this study also helps us to understand how boards composed of bright, motivated and capable directors might not always be effective or make good decisions that deliver value, given that problems and scandals of corporate governance persist, and how pivotal it is to study governance through scholars' direct, first-hand engagement in the field (McNulty, Zattoni & Douglas 2013). Fifth, knowing that directors view engagement with purpose as possible in both public and private ownership structures is important because the dynamics between owners and directors emerging from this study might be applicable to private ownership structures or, at least, this conceptualisation of director engagement with purpose we can help us bring the study of the governance of listed and private companies closer together. Sixth, since the seminal work of Berle and Means (1932) the field of governance has predominantly explored issues in Anglo-Saxon public companies (Aguilera, Florackis & Kim 2016), thus this study's conceptualisation of director engagement in the context of Swiss public companies lends novel insights in non Anglo-Saxon corporations, expanding our knowledge of governance mechanisms in other parts of the world which remain under-researched.

Thirdly, I provide rare insights into how institutional investors influence directorial cognition. By enacting their stewardship duties through a form of activism known as engagement, exercised around ESG topics which relate to purpose, investors are able to demand director attention and affect director engagement if a set of conditions are met. These include display of behavioural integrity, knowledge of the investee companies, strategic relationships with directors (chairs and vice-chairs in particular), and an investment time horizon aligned with corporate purpose. Neither investor nor investment size (assets under management and percentage of voting rights respectively), appear to play a role, as small investors are able to demand director attention and affect their engagement if the above conditions are met, indicating the need for more balance in scholarly attention on small investors, as well as large or controlling owners and how they affect companies (Aguilera et al. 2015; Anand 2019; Connelly et al. 2010; Cundill, Smart & Wilson 2018; Cuomo, Mallin & Zattoni 2016; Cronqvist & Fahlenbrach 2009; Edmans 2014; Gifford 2010; Goodman et al. 2014; La Porta et al. 2000). The role played by the influence and focus of institutional investors' stewardship in director engagement is significant because it develops a novel understanding of the behavioural dynamics between two critical governance actors, namely shareholders and directors (Van Ees, Gabrialsson & Huse 2009; Westphal & Zajac 1995), although the findings of this study apply to relational shareholder types (Aguilera & Jackson 2003; Goyer & Jung 2011). This study demonstrates that engagement with directors represents a powerful type of investor activism that can impact corporate decisions through the process of director enagement. It also confirms that the exercise of this form of stewardship is where “the real action occurs” (Logson & Buren 2009, p. 353), hence, if we are to better understand how shareholders affect governance mechanisms, the exercise of stewardship via engagement is an avenue worth studying. This represents a pivotal leap forward in the study of corporate governance. First, it positions institutional investors as a force that can enable or constrain director engagement, demonstrating that an external governance mechanism (Aguilera et al. 2015) does affect investee companies’ ability to create sustainable value via the influence it exercises on director engagement. Second, this finding warrants a better understanding of the role investor activism, as a form of exercise of stewardship duties, plays in enabling or preventing directors from engaging with purpose to create value for society as well as for investors, demonstrating that investing resources to nurture engagement with directors of investee companies (chair and vice-chairs in particular), developing first hand, in-depth knowledge of portfolio companies and behaving with integrity are investor behaviours enabling director engagement towards corporate development, while the absence of these behaviours can act as a barrier, with director engagement unfolding only as conformity and compliance. Third, this finding shows that in director engagement investor or investment size do not matter, as small investors, who might lack voting power, can also possess and choose to exercise power of ‘efficacy and capacity’ (Kanter 1979, p. 65) and the ‘capacity to make a difference' (Orsatto & Clegg 1999, p. 276) in the extent to which directors commit their resources to purpose. This is critical, as many public corporations, in and outside of Switzerland, feature dispersed ownership forms, typically assumed to represent a barrier to sustainable value creation, while small owners also emerge from this study as a force enabling engagement, hence relevant for corporations to create value. Fourth, this finding points to the need to balance scholalrly attention to large, controlling shareholders (Aguilera et al. 2015; Anand 2018; Edmans 2014; Goodman et al. 2014), as small investors can possess the ability to influence value-creation processes at directorial level, thus the need to develop our understanding as to how this can be achieved. Fifth, the findings show that investors need to consider the use of proxy advisors in investment decisions in light of the effect this can have on director engagement (a move towards conformity and compliance), as proxies can act as a barrier to director engagement. In this regard, the latest policy developments on the US and EU side of the Atlantic (EU 2014, 2017b; Temple-West 2019), introducing increased scrutiny and regulatory oversight of the methods proxy advisors use for research and voting recommendations, are a positive step that can temper the effect of investors' use of these agencies on director engagement.

Fourthly, perspectives defining ESG factors as 'non-financial', the lack of globally accepted ESG standards, and the debate on integrated reporting emerge as detrimental to engagement, hindering directors' full commitment of their affective, cognitive and behavioural resources to purpose. Rather, they are conducive to engagement remaining at conformity and compliance. Beyond the buzz surrounding media reports on 'green' or 'moral' money (for instance in *Financial Times*, *The Economist* or *The Guardian*) and academic research on sustainable, socially responsible or ethical investment, stewardship legitimately remains about asset value maximisation as core fiduciary duty of institutional investors and ESG integration in investment decisions follows financial, rather than green, moral, ethical or socially responsible motives. This is important, because if investors are to enable director engagement through their stewardship, and we are to address the lack of globally accepted ESG standards, make integrated reporting truly integrated (with these factors accounted for in numbers) and better understand how stewardship influence on engagement can unfold, we need to study ESG factors and frame the debate around them as strategic in nature, as these factors may impact the bottom line and ability to create value, are financially relevant and important and investors increasingly integrate them in investment decisions if they believe they will increase firm value (Cundill, Smart & Wilson 2018; Rock 2018; Swiss Sustainable Finance 2018).

Fifthly, this research extends discussions in the corporate governance field, offering insights into directorial attitudes, value and beliefs, and behaviours, and their interactions with investors, responding to the need to better understand these actors and dynamics, particularly through qualitative methods (Aguilera, Florackis & Kim 2016; Aguilera et al. 2015; Goranova & Ryan 2014; Judge, Gaur & Muller-Khale 2010; Kumar & Zattoni 2019; McNulty & Nordberg 2016). The finding as to how, through director engagement corporations can add value and directors can make a difference to their companies, is of significance on a number of levels for the study of corporate governance. First, it indicates that under the influence and focus of institutional investors' stewardship, through director engagement, the interests of investors (principals) and directors (agents) can align around purpose, hence they can align around how value is created, lending new insights into how principal-agents conflicts, at the heart of agency theory (Jensen & Meckling 1976; Fama &

Jensen 1983a,b), can be minimised. Corporate purpose can act as a mechanism for principals and agents to limit potentially divergent interests, beyond establishing incentives and principals incurring monitoring costs. Purpose emerges as central to how principals and agents can jointly contribute to corporations creating value for society as well as for investors. Furthermore, although agency theory posits that diffused ownership of modern corporations creates agency problems and costs, this study reveals that through the exercise of stewardship via engagement with investee companies' directors, and through directors full resource commitment to purpose, diffused (or dispersed) ownership can also act as a mechanism for tempering agency problems. Second, through the 'right'engagement behaviour on the part of investors and directors, under a certain set of contingencies, corporations can create value for society and for investors through a process of institutionalisation of corporate purpose. Despite the lack of a universal concept of power (Pettigrew & McNulty 1998), which remains a 'complex matter' (Orssatto & Clegg 1999, p. 276), in the agency tradition power revolves around authority and control, and particularly directorial power over managers (Fama & Jensen 1983a; Herman 1981; Mizruchi 1983; Westphal & Zajac 1995). This study shows that in director engagement what matters is also power of efficacy and capacity of directors and of investors. To aquire objectivity and exteriority, purpose needs to become institutionalised. This can be achieved through directors adding value and serving their companies by fully and comprehensively committing their affective, cognitive and behavioural resources to sustainable value creation, hence by exercising their resource, service and monitoring roles, all of which are needed for director engagement. Third, the role directors can play in the institutionalisation of purpose, for which board engagement is needed, although it remains outside the scope of this study, is a testament to how directors, as governance actors can make a difference to their firms and add value, answering calls to better understand in which instances they do matter (Boivie et al. 2016; Starbuck 2014).

Having articulated my original contribution to knowledge, I now turn to the implications for policy and practice.

Implications for Policy and Practice

This thesis has important implications for corporate governance policy and practice, and the role they can play in enabling director engagement, so that corporations can create value that is 'more socially inclusive and less dependent on exploitation of finite resources and the natural environment' (EU 2018, p. 3).

Policy implications revolve around directorial duties, integrated reporting, and governance disclosure. As regards directorial duties, perhaps fiduciary duties in large, listed organisations should include by law a responsibility for strategy as a core, non-transferable and inalienable duty, to reinforce a common view of the role of directors, and support their engagement as corporate development. Although meeting or exceeding norms and obligations results in engagement as an exercise of conformity and compliance, it represents an important step in keeping directors engaged to create value across the financial, societal and environmental dimensions of purpose, in the short and long term.

Concerning integrated reporting, perspectives defining ESG factors as non-financial; the lack of meaning of ESG and sustainability reports without numbers; the lack of globally accepted

ESG standards; and the debate on, and current EU regulation of, integrated reporting (EU 2014; 2017a), can all have detrimental effects on director engagement, supporting a partial enactment of sustainable value creation as meeting formal or informal expectations and obligations, rather than a full directorial commitment of resources towards corporate development for a sustainable future. Policy intervention is needed to agree globally accepted ESG standards of measurement and reporting, similar in nature to those existing for traditional financial matters. These, in themselves, need to be adapted to the business reality of the twenty-first century, where sources of capital go beyond those of a financial or manufacturing nature, to include intangible assets. Although it has taken more than 150 years to arrive at contemporary financial standards and accounting practices, and a pool of professionals to support them (Solvang 2018), the magnitude and urgency of the challenges of our time require immediate attention to make integrated reporting truly integrated, with ‘non-financial’ factors accounted for in numbers within financial and company reports, to support directorial integrated thinking on the part of directors, and decisions and actions which create value.

When considering governance disclosure, listed corporations are normally required or recommended to disclose in any given year the number of board meetings and/or conference calls, their duration, and individual director attendance. Given that director engagement is a time-consuming and intellectually intensive activity spanning complex subjects, it is important for investors, other stakeholders and society at large to have visibility of how directors contribute to value creation through their engagement; which activities are they personally involved in; their achievements and challenges. This would contribute to motivating directors to remain engaged, and address the crisis of trust towards business, and questions about the purpose of directors.

For governance practice, the implications of this study revolve around chair, director talent pipeline and education, board structure and institutional investors. In this thesis I suggest that to enable director engagement, proactive chairs leading from the front are needed (Furr & Furr 2005; Krause 2017; Vanderwaerde et al. 2011), although scholars have noted that during board meetings a more invisible chair helps directors to remain engaged in their decisions (Bezemer, Nicholson & Pugliese 2018). Proactive chairs need to drive strategic engagements with investors, large and small, so that interests can align around purpose and the trade-offs it entails. This requires chairs viewing investors as their primary responsibility (Knudsen, Geisler & Ege 2013), and behaving as such. Chairs have a pivotal role to play in director selection, securing the ‘right’ directors, ‘right’ being those possessing and displaying the set of attributes presented in this thesis, including values and beliefs aligned with the company and its purpose, and the ability to think deeply and broadly (Lungenau & Zajac 2019). In addition, they need to be passionate, motivated, viewing their role as drivers of the company, and willing and able (Durand, Hawn & Ioannou 2019) to remain engaged. In the context of a generational shift taking place among directors (who are joining boards at a younger age), management education has a role to play to prepare not only future executive directors, but also future non-executive board members. This can be achieved through short, frequent courses on ESG topics specifically designed for directorial needs, and the inclusion of ESG topics and purpose in executive education curricula. Concerning education, directors need to nurture their competencies through ongoing education, particularly on ESG and macro topics, and their material impact on the company’s ability to create value. Depending on where the sources of knowledge are situated, this can be achieved through internal training and investors, or academics, to gain insights on practice-relevant research at the forefront of ESG matters, or through having scholars and other experts as members of board structures built around purpose, such as committees, advisory and stakeholder boards, with directors being exposed to, or receiving feedback about, their work. This study shows that academia can render an important service to directors, supporting them to make a difference and help corporations to create value. In this respect, purpose provides an opportunity for scholars to 'step out of (…) monasteries' (Hambrick 2005, p. 962), and address the lack of scholarship-related relevance (Banks et al. 2016; Ghoshal 2005), another of society's great challenges. As for institutional investors, this study indicates that the exercise of their stewardship duties through engagement with investee companies (chairs and vice-chairs in particular) on ESG topics is important and worth investing resources into. The study also shows that ESG factors relate to corporate purpose and to how corporations can deliver sustainable value creation.

The implications for investors are four-fold. First, through their engagement, investors have the potential to make a difference in their companies as they can influence directorial perceptions and decision making around sustainable value creation. In order to do so, investors need to develop in-depth knowledge of the companies in their portfolios and/or those potentially of interest, particularly first-hand knowledge in complement to desk-based research knowledge. Through first-hand knowledge investors can gain insights into aspects of the business and its directors often not disclosed (for instance how value creation is appreciated and practiced, and the extent and comprehensiveness of individual director engagement with it). Second, to ultimately affect corporate decisions investors need to nurture strategic relationships with chairs, and expand the range of topics they discuss with directors, going beyond traditional governance structures and financial performance. Investors need to focus discussions on macro topics, their material effects on the business and how value is created, where investor support is needed, and which trade offs are necessary and justified. Third, investors need to remain true to their words. Investor behavioural integrity acts as an enabler of director engagement, and directors value it, as it creates a common ground for nurturing ongoing strategic relationships and be aligned in words and actions on how value is created. Fourth, small investors do have an important role to play towards director engagement, should exercise their stewardship duties and not relegate them only to filing resolutions or voting at the AGM. Given that engagement is a costly activity, both in terms of time and money, small investors need to be more selective that large investors when selecting engagement 'targets' or partners. For small and large investors, engagement activities need to be sustained over time and not be regarded and carried out as punctuated events, if director engagement is to be enabled, in turn delivering sustainable value creation.

Chapter 6: Conclusion, Limitations and Future Research Directions

By bravely entering the field of corporate governance through interviews and direct observations of a set of directors (complemented by their investors and other contextual actors), in a set of companies, in a particular context, at a particular time, with this study I illustrated what corporate purpose is, the importance of director engagement, and the role that institutional investors, legitimately concerned with *value*, can play to enable engagement, so that directors can make a difference and corporations can create value that is ‘long-lasting, more socially inclusive and less dependent on exploitation of finite resources and the natural environment’ (EU 2018, p. 3).

Against the backdrop of a surprising lack of research on directorial strategic cognition, I offer a rare perspective on individual processes of knowing and understanding purpose as sustainable value creation, as essential to business and strategic in nature. I also shed light on the affective, cognitive and behavioural forces and contingencies which enable director engagement along a spectrum ranging from conformity and compliance to corporate development. Being transitional and contextual, engagement is never ‘done’, ‘complete’ or ‘achieved’, hence it needs to be encouraged, nurtured and sustained, so that purpose can become normal business and everybody’s business, or in other words institutionalised, helping corporations to contribute to address some of our most pressing challenges. With this thesis, I hope I have therefore contributed to an important stream of research on directors as governance actors, and their psychological and behavioural processes, answering a call made 27 years ago by Pettigrew (1992) for processual studies of elites.

Despite its relevance, this thesis has several limitations, which also indicate opportunities for future research. Firstly, although I firmly believe in the value of a qualitative, in-depth, case study approach to investigate the phenomenon of director engagement and answer the research questions of this study, as being important in the development of strategic cognition theory at individual level and of the field of corporate governance, this approach in itself has limitations. As Flick (2014) argues, qualitative enquiry has a number of essential features that also represent sources of concerns and limitations (Yin 2014). First, the appropriateness of the method and theories, in this thesis the case study approach, a choice justified given the research questions and the necessity to conduct an in-depth examination of an emerging phenomenon; second participants' perspectives and their diversity, which I approached, collected and analysed using multiple data sources to strengthen case trustworthiness and establish credibility (Lincoln & Guba 1985); third, researcher's reflexivity, which I presented at the beginning of the chapter entitled *Methodology* and I have made an integral part of the research process, aiming to make my reflexivity transparent (including unexpected events); fourth, variety of approaches, among which I selected the case study given the research questions of this thesis, taking great care in following systematic procedures (for instance in meticulously collecting, analysing and triangulating the data and establishing a chain of evidence), making as explicit as possible the influence of my person as researcher on interpretation, findings and conclusions, and avoiding making claims of generalisability of findings, given that 'the real business of case study is particularization, not generalization' (Stake 1995, p. 8). As Birkinshaw (1996) argues, it is important that the findings of this study are carefully applied to other contexts to develop a better understanding as to what extent they might be generalisable. Overall, I made a conscious effort to avoid practices lacking rigor and to address the concerns and limitations associated with the case study approach. Nonetheless, this choice of methodology remains an important limitation of the study. Furthermore, 'stigmatization and the wrongful evaluation of qualitative enquiry, according to “positivistic” criteria’ (McNulty, Zattoni & Douglas 2013, p. 191) remain among my concerns for this thesis and for future publications of this work. Secondly, my focus has been on understanding engagement at the level of individual directors. Although the data supports the importance of individual cognition processes and the governance literature invites research on directors, these individuals operate within board structures, and including SC processes of engagement at board level would therefore lend important insights in developing a more comprehensive model. Thirdly, given that I have selected case participants through a combination of theoretical (in an initial phase) and convenience sampling (in a subsequent phase) to overcome access constraints, the latter sampling logic might have introduced a bias in participant selection. Although I guarded against such bias (for instance by approaching case selection initially via theoretical sampling and only subsequently via convenience sampling, and by collecting and analysing data not only via interviews but also via participant observations and documentary analysis), as Plowman et al. (2007) remark ‘as in any qualitative research, that concern lingers’ (p. 540). Fourthly, the initial director engagement model features only two points at opposite ends of the continuum, hence future research could extend the model by examining whether there are additional points between the two, what engagement at those points might look like and the set of factors affecting it. Fifthly, I anticipate that other contextual contingencies and dynamics might affect engagement, for instance chair-CEO relationship and power dynamics, director nationality, ethnicity, gender, or spiritual perspectives, making these worthy of further research. Sixthly, I focussed on relational investors, a choice which may have resulted in a certain portrayal of the role of institutional investors in director engagement, give that relational investors tend to have a longer investment horizon and nurture strategic relationships with board members. Although in the story of director engagement I captured the perspectives of different investor types within the relational investor typology, given the importance of sustainable value creation to corporations' owners, future work might explore how other investor types (for instance hedge funds or family owners) view director engagement, and how investors themselves engage with companies specifically around purpose, what drives them and how investor engagement unfolds. Seventhly, this study is limited to directors of large, listed companies, as they are expected to contribute the most in solving societal problems. Nonetheless, the economic make-up of many countries also includes small and large private and public-private ownership structures, hence studies could explore director engagement with purpose in these ownership structures, including cooperatives and foundations, and in smaller companies. Eighthly, the context of this case study is limited to Switzerland and its system of corporate governance. Future research could extend the study of director and/or board engagement to other governance contexts, such as Anglo-Saxon, Germanic, Latin or Japanese systems. Contrary to previous studies associating Swiss and Germanic governance (Culpepper 2003; Grosvold & Brammer 2011; Hall & Soskice 2001; Vitols 2005; Weimer & Pape 1999; Zeitoun & Pamini 2015), this thesis reveals that there are fundamental differences between the two. For instance, Switzerland features a two-tier board system, with director and board holding responsibility for managing company and strategy, and lacks staggered boards, as directors stand for election each year (Guo, Kruse & Noel 2006). Hence other governance systems might influence director engagement differently. Ninethly, since global corporations also operate through foreign subsidiaries, and maintain active boards in those subsidiaries responsible for product lines or performing additional value-added functions (Du, Deloof & Jorissen 2001), research could explore directors and/or boards in foreign operations, to account for any differences in engagement, as these can impact the overall corporation's ability to create value. Tenthly, research quantitatively testing the initial director engagement model would be an important next step, collecting data from broader samples, organisations and countries to help develop the model further. Lastly, issues I have regarded as out of the scope of this thesis (Appendix 9), might also represent opportunities for future research, for instance in relation to possible measurements of purpose; how sustainable value is distributed; how corporate purpose may relate to sustainable development; or in relation to directorial, board, investor, stakeholder and policy makers' perceptions of the broader debate on the purpose of capital.

To conclude, the story of director engagement with corporate purpose is a story of attitudes, values and beliefs, and behaviours. Under the microscope, it is essentially a story of *values*. Among its significant influencers are institutional investors and their stewardship, whose story is about *value*. The idea that *value* can contribute to *values* might seem counter-intuitive, but one worth exploring.

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Appendices

Appendix 1. Selected Conceptualisations of Engagement

Discipline	Authors	Terminology	Construct
Psychology	Achterberg et al. (2003)	Social engagement	High sense of initiative, involvement and response to social stimuli, interacting with others.
	Ben-Eliyahu et al. (2018)	Student engagement	Engagement as an the intensity of productive involvement with student's activities in schools and a museum.
	Corno & Mandinach (1983)	Student engagement	Student cognitive engagement and how it can lead to self-regulated learners in the classroom.
	London, Downey & Mace (2007)	Student engagement	Engagement referred to the demonstrated investment, motivation and commitment with an institution. Multidimensional factors may impact engagement: institutional (policies, regulations and structures), situational (practices and culture of the institution) and individual (competence, beliefs, concerns and expectations, perceptions of the context) factors.
	Morgan-Thomas & Dudau (2019)	Student engagement	Student engagement in e-learning as a multidimensional concept encompassing behaviour, emotion and cognition.
Sociology	Crosnoe (2001); Finn (1989); Finn & Rock (1997); Johnson, Crosnoe & Elder (2001); Steinberg et al. (1992)	Student engagement	Affective dimension of engagement entails feelings of "being part of" something, embedded in the object of engagement, while the behavioural side of engagement refers to participation.
	Jennings & Stocker (2004)	Civic engagement	Civic engagement entails two key components: voluntary involvement (in voluntary organizations) and the performance of volunteer work,

			both entailing frequent interactions and trust.
Organizational Behaviour	Greenwood (2007)	Stakeholder engagement	Engagement can be seen as a mechanism for consent, for control, for cooperation, for accountability, for involvement (employee) for participation, for enhancing trust, as a substitute for trust as a discourse and as a mechanism for corporate governance.
	Kuwabara, Hildebrand & Zou (2018)	Laypeople engagement	Extent to which laypeole commit their energy, mental, emotional or physical resources toward social networking.
	Mitchell et al. (2019)	Employee engagement	Engagement can be elicited by performance pressure. In turn, engagement contributes to explain improved task proficiency and citizenship (a behavior contributing to goals by improving the psychological and social context).
	Noland & Phillips (2010)	Stakeholder engagement	Engagement goes beyond interaction and is multidimensional: strategic (undertaken with strategic motives) and moral (undertaken with specific communication conditions to ensure that the engagement is genuine, uncorrupted by power differences and strategic motives). Power or other purposes can bias honest and full participation in the engagement process.
	O'Riordan & Fairbrass (2013)	Stakeholder engagement	Engagement as practices an organization undertakes to involve various stakeholders in a positive manner in the firm's activities. Engagement entails the process of establishing, developing and maintaining relations with stakeholders. It also entails consultation, communications, dialogue and exchange. Engagement can be seen as a mechanism to achieve

			objectives, a method to enhance trust and a mechanism of corporate governance.
	Rich, LePine & Crawford (2010)	Individual job/role engagement	Engagement as one's complete investment into a job or role as a way to create competitive advantages.
Marketing	Arrigo (2018)	Customer engagement	Brands can achieve customer engagement through social media, by providing superior value and actively collaborating with customers to co-create new products.
	Broedie et al. (2011)	Consumer engagement	A mix of affective and cognitive mechanisms in customers' relationship with a brand.
	Liu et al. (2018)	Consumer engagement	Engagement refers to both dispositional and situational forms of engagement. Dispositional forms relate to the bond/personal/close connection with the brand, self-definition via the brand. Situational forms (cognitive, affective and behavioural) refer to thinking/being interested in the brand, feeling positive-happy when using the brand and spending time with the brand.
Human Resources	Frank, Finnegan & Taylor (2004)	Employee engagement	Desire and willingness to go the extra mile (extra time, energy, brainpower).
	Khan (1990)	Engagement at work	Extent to which people bring in their personal selves while performing their job. In engagement people employ and express themselves physically, cognitively and emotionally.
	Luthans & Peterson (2002)	Employee engagement	Emotional engagement (to form meaningful connections with others); cognitive engagement (degree of awareness of employee's own mission and role in the company).
Corporate Governance	Aguilera & Jackson (2010)	Shareholder engagement	Shareholder engagement in ownership behaviour, particularly pension funds.

	Aguilera et al. (2015)	Shareholder engagement	Through engagement, shareholders influence their investee companies. Engagement can take place in the public domain or behind the scenes. The most critical shareholder engagement is private. Engagement can be interactive (bidirectional, shareholder to firm and firm to shareholder) or unidirectional (shareholder to firm).
	Becht et al. (2008)	Investor engagement	Activist fund's private engagements leading to abnormal returns. Different typologies of engagement: with management, with other shareholders, public meetings, and other public interventions.
	Becht et al. (2014)	Investor engagement	Hedge fund activism via engagement to for shareholder value maximization.
	Bezemer, Nicholson & Pugliese (2018)	Director engagement	The Chair's influence on how directors engage in their governance roles. Individual-level engagement in decision-making.
	Clark & Perrault Crawford (2012)	Corporate engagement	Shareholder activism influencing corporate engagement on a variety of social, environmental and political issues.
	Federo & Saz-Carranza (2018)	Board engagement	Board engagement in the strategy process. Engagement as active/less active board involvement in strategy formulation.
	Gillan & Starks (2007)	Shareholder engagement	Activist shareholders (hedge funds, index funds) engaging for financial returns.
	Goodman et al. (2014)	Shareholder engagement	Social shareholder engagement as a form of voice and a strategy for responsible investment.
	Goranova & Ryan (2014)	Shareholder engagement	Engagement as actions taken with the intention to influence corporate policies and practices.
	Hambrick, Misangiy & Park (2015)	Director engagement	Individual director engagement in effective monitoring.

	Hillman, Nicholson & Shropshire (2008)	Director engagement	Director engagement in the boardroom. Engagement depends on one's strength of identification with multiple directorial identities. Engagement as the extent to which directors engage in monitoring and resource provision.
	McNulty & Nordberg (2016)	Owner engagement	Active ownership entails different types of engagement. Engagement includes developing relationships with firms via processes of influence and intent. Engagement as an ongoing activity involving mutual exchanges, taking a longer term perspective.
	Noland & Phillips (2010)	Stakeholder engagement	Engagement as the process through which stakeholders (customers, supplier, communities, employees) actively attempt to influence corporate activities.
	Proffitt & Spicer (2006)	Shareholder engagement	Engagement as a form of shareholder activism influencing corporate engagement on a wide range of topics.
	Pye & Pettigrew (2005)	Director engagement	Director engagement as dependent on power to influence.
	Roberts, McNulty & Stiles (2005)	Non-executive director engagement	Engagement requires active involvement, display of insight and knowledge undertaking of a role in serious fashion, asking the right questions, taking an interest in issues. It might also entail a degree of approachability. Engagement is not an impediment to independence, rather informs the exercise of independence.
	Schneider & Scherer (2015)	Corporate engagement	Global corporations' engagement as the sum of their activities for the provision of goods and services.
	Tilba & McNulty (2011)	Owner engagement	Engaged ownership (pension funds) entails long-term stewardship, service to fund's beneficiaries and corporations.

	UK Government (2012)	Investor engagement	Quality (not amount) of investor engagement as a form of voice, beneficial to companies' long-term interests.
	Vafeas (2003)	Director engagement	Long-term director engagement as the enactment of commitment, competence and greater experience.
	Van den Berghe & Levrau (2004)	Board engagement	Engagement or involvement as a state and process of "mental" presence and active involvement in the decision making process.

Appendix 2. Informed Consent Form - Pilot Study

I am inviting you to participate in the research study

Director Engagement with Corporate Purpose:
The Contribution and Potential of Institutional Investors

I am conducting this research as part of my PhD studies at The British University in Dubai.

My doctoral thesis is in the area of corporate governance and examines how investor stewardship and activism contribute to director engagement with corporate purpose. By *engagement with corporate purpose* I mean how directors become interested and committed to it, whether they ask critical questions, raise difficult issues, make suggestions, judge information and provide advice to the board and to the corporation on corporate purpose. *Institutional Investors* have a fiduciary duty protect or enhance the value of the assets entrusted in their care, while *activism* refers to investors and stakeholders trying to influence corporate decisions and activities.

Interview and Involvement

Participants to this study include directors of corporate boards and C-level decision makers of multinational corporations, shareholders, investors, and other decision-makers. The interview will last approximately 60 minutes. The questions are presented in the *Interview Protocol* which I will share with you separately. With your permission, the interview will be audio recorded. You may decline to answer any question and still remain a participant in this study. The audio recording will be transcribed to support the analysis and interpretation of the data collected throughout the study. After the interview, I may need to contact you by telephone or via email if any clarification is needed. If desired, you will have the opportunity to review the transcript of the interview. You will also be given visibility of the aggregate results of the study upon its completion.

Confidentiality and Anonymity

The information you share will be kept strictly confidential. Your anonymity will be guaranteed at all times. A pseudonym will be used for any quotes that you provide which might be included in the final thesis. The interview audio recording and transcription will be accessible only to me and my thesis supervisor, Professor Ashly H. Pinnington, Dean of Research at The British University in Dubai. I will keep all research materials, including the signed consent forms, transcripts, audio recordings and personal notes in a locked cabinet, in a password protected folder on my laptop, and in a password-protected back-up folder remotely accessible for five years after completion of the study. At that time, if not before, I will destroy all the research material.

Participation

Your participation in this research is entirely voluntary. If you do decide to take part, you are free to withdraw at any time and without giving any reasons for your decision. If you do decide to withdraw, the interview will be stopped immediately and data specific to you will be destroyed. Your continued participation should be as informed as your initial consent. You are welcomed to ask questions prior, during and after your participation in this study. If you have further questions regarding this research, you can contact me at any time. You may reach me by phone on XXX or by email at …You may also contact my thesis supervisor, Professor Ashly H. Pinnington by email at …

Thank you for agreeing to participate in this study.

Date: ______________________

Researcher's Name: Selina Neri

Signature:____________________

Date: ________________________

Participant's Name:

Signature: ____________________

Appendix 3. Interview Protocol - Pilot Study

My name is Selina Neri and I am conducting my PhD research in the area of corporate governance with a thesis entitled

Director Engagement with Corporate Purpose:
The Contribution and Potential of Institutional Investors

Thank you very much for agreeing to participate in this research project and to share with me your time and expertise. I greatly appreciate your participation and your candid, confidential responses will contribute to advancing the field of corporate governance.

Before we start, I would like to reassure you that:

- Your participation to this interview is voluntary;
- You can refuse to answer any question at any time;
- You can withdraw from this interview at any time;
- This interview is strictly confidential. As already indicated in my previous written correspondence, nothing you say will be attributed to you and you are guaranteed complete anonymity. Results will be reported in aggregate manner. For quotes from this interview that might become part of my final thesis I will seek your consent. Under no circumstances will your name or company association be disclosed, unless you have specifically and formally permitted me to do so.
- You have agreed to recording this interview. This is done for transcription purposes and will help me with analysing the data. If you require, you will have the opportunity to view the interview transcript.

Project Aim

This doctoral thesis examines how directors engage with corporate purpose and the influence of institutional investor stewardship. By *engagement with corporate purpose* I mean how directors become interested and committed to it, whether they ask critical questions, raise difficult issues, make suggestions, judge information and provide advice to the board and the corporation on corporate purpose. *Institutional Investors* have fiduciary duties of stewardship to protect or enhance the value of the assets entrusted in their care, while *activism* refers to investors and stakeholders trying to influence corporate decisions and activities.

START RECORDING

I will now ask you seven questions and would appreciate if you could answer them as frankly and as straightforward as possible.

STOP RECORDING

Appendix 4. First-Order Concepts - Pilot Study

(Total first-order concepts: 112)
Note: ***parent nodes*** *and concepts are listed in alphabetical order.*

First-order Concept (with Parent Node)	Description	Files	References
ACTORS	Different types of actors and to whom directors pay attention	0	0
Activist movements	Includes activists with financial, social and environmental aims	5	4
Consumers	As a force for change and key stakeholders	5	5
Cooperatives	A key ownership structure in Switzerland	4	3
Directors	As governance actors, including but not limited to non-executive directors	5	23
Directors do not only monitor in Switzerland, They are in charge of the company and its strategy	Core fiduciary duties of directors	4	13
Directors in the US go after shareholder value maximisation	Fiduciary duty is perceived as being towards shareholders, although there are exceptions	2	3
Directors pay attention to shareholders, particularly large-majority ones	Majority shareholders as core stakeholders who demand directorial attention	5	8
Employees have become very active, but in Switzerland not as in other countries like the US or France	Employees in Switzerland	4	6
Employees have a strong voice in the US	Activist employees in the US context	2	5
Family owners	As a type of investor	5	6
In asset management proxies are important, particularly for small investors	Proxy advisors as an actor	5	12
Institutional investors get the attention	Directorial attention prioritises institutional investors on the matter of corporate purpose	5	23
Investors	As a stakeholder category of actors	5	25

Large investors are always more active with companies	Size as an attribute of activism	5	12
Millennials and Generation Z	Millennial and Gen Z as actors (as consumers, asset owners, employees etc.)	5	14
NGOs	NGOs as an important force in today's society	5	6
Politicians	Politics and politicians as actors in the story of director engagement	5	8
Regulators	Regulators at national and international level	5	14
Responsible Business Initiative	A powerful actor in the current Swiss context	4	7
Social Media	A force for good and a force affecting directors and investors	5	9
CONTEXT	The environment where directors operate	0	0
Brexit	As a source of uncertainty and complexity	4	5
Globalisation is a blessing and a curse	Globalisation has created some of today's challenges, despite its contribution to economic progress	5	7
The US discussion about purpose lacks behind that taking place in Europe	The US appears to be behind Europe in terms of corporate purpose as a topic in boardrooms and regulatory circles.	4	4
Populism	A force that is sweeping through many countries	5	6
Society is changing	In general, and in Switzerland in particular	5	11
Swiss law follows EU developments	Despite Switzerland not being part of the EU, Swiss regulators generally adapt to developments at EU level	4	8
Swiss values have changed, less discipline and obedience and more self-determination and individualism	Changes in the general value system	4	16
Switzerland does not have a stewardship code like other countries	Lack of a stewardship code comparable to the UK or German one	4	4
Technological changes are massive	Technological speed of change and developments	5	9

The environment is very complex	General complexity of the environment directors and investors operate in	5	13
The responsibilities and roles of directors and boards are enshrined in Swiss law	Swiss law mandates fiduciary duties.	4	10
The special features of Swiss governance	Swiss system of corporate governance and its peculiarities	4	11
The speed of change has increased dramatically	Speed of change as a key feature of context	5	13
The Swiss values are important	The country general value system	4	10
The whole discussion on integrated reporting is meaningless	Integrate reporting is questionable in its current form	5	18
There are changes in how governance is understood, not only as a tick in the box	A movement is taking place , an evolution of how corporate governance is perceived	5	11
There are many changes on the investor side, more activism	Across countries, the tide of investor activism is shifting	5	19
There are regulatory constraints as to what directors can and cannot say to investors	Regulation sets the boundaries of what directors can and cannot discuss with investors	5	6
There is no trust towards corporations and boards	A general lack of trust towards business	5	8
Trump and trade wars	A political and economic issue at global level	5	5
We are a direct democracy and activism is everyday life	Switzerland system of direct democracy feeds activism	4	6
What the Swiss government expects	Within broad regulatory frameworks, the government leaves companies room to manoeuvre	4	8
CONTIGENCIES OF ENGAGEMENT	The dependencies of director engagement	0	0
Directorial Contingencies	Dependencies at directorial level	0	0
Competence is key	Competence	5	9
Not every board member is experienced	Experience	5	8
The perception of the role and what it means	Role perceptions from monitoring to service, strategy.	5	10
Governance Contingencies		0	0

Having direct access to board members for matters of corporate purpose is important	Direct access to the board as an important contingency for director engagement	5	11
I have seen companies with committees and other structures around purpose	Structures as board level	3	7
Listed companies are the toughest environment for going after corporate purpose	Public ownership as the ownership structure where engagement with purpose is perceived as most difficult	5	11
Reporting	Annual, financial, sustainability, integrated reports as a governance contingency of engagement	6	17
Some say that purpose has an easier life in private companies	Private ownership as potentially easier for director engagement to take place	2	5
The way the board works is important	Board process	5	10
Organisational Contingencies		0	0
High levels of reputational risks	Company reputation at stake and/or potentially benefitting from director engagement	5	6
It depends on the industry and its specifics, but purpose matters across	Industry as a potential contingency of how engagement happens specifically, although purpose matters in every industry	5	12
Maybe lifecycle	Potentially, lifecycle as contingency	1	2
The culture you have in a company	Company culture (which should be reflected in board culture)	5	11
CORPORATE PURPOSE		0	0
Companies are commercial entities that are there to create value sustainably, financially, socially and environmentally	Firms as commercial entities whose purpose is value creation across three dimensions	5	14
Creating value which also contributes to social welfare	Value creation contributes to social value	5	2
Difficult to make the link short term and long-term and value generation	Difficulties in linking short-long term with value generation	5	6
How and why it matters? Because corporate actions need to be serve corporate purpose	Purpose as the guiding light of corporate actions	5	10

It is about how you create value in this day and age	What is distinctive about purpose in this day and age	5	18
It is not about CSR or having a social purpose.	Corporate purpose as strategic in nature	5	15
Long term needs to come from short term choices and results	Short term is seen as conducive to long term under a set of choices	5	19
Purpose is not only about the next 10 years...it is also about next quarter	Short and long-term dimensions of purpose	5	20
Short term value is as important as long term	Value creation in the short-term is seen as important as in the long-run	5	10
Value generation	Purpose is about value generation	5	11
DIRECTOR ENGAGEMENT WITH CORPORATE PURPOSE		0	0
Director Attitudes	Affective components of engagement	0	0
Commitment	Dedication and commitment of resources	5	8
Courage to engage	Courage to carry out what engagement requires	5	9
It is a question of mindset	Mindset as a broad attitude towards life, directorial roles, the company .	5	11
Director Behaviours	Behavioural components of engagement	0	0
Directors asking intelligent questions, not taking things at face value	Asking questions	5	12
Engagement means taking the lead, being proactive	Proactivity	5	13
Make it clear to the market	Communicating corporate purpose to investors	5	9
Talk about purpose with stakeholders	Discussing purpose with stakeholders for feedback and information	5	8
You have to remain true to your values	Authenticity	5	10
Director Values and Beliefs		0	0
Engagement means that you believe in your values and the value of purpose to drive decisions	Personal values and the perceived value of corporate purpose	5	13

Learning and understanding	An ongoing learning and understanding process	5	21
Many do not understand why they should engage	Lack of understanding of the value and potential outcomes of director engagement	5	71
Thinking in integrated manner	Integrated thinking across all dimensions of purpose and ESG factors	5	11
Tensions between short and long term	Tensions	5	9
Why and how director engagement matters	Reasons behind director engagement	5	5
Not a tick in the box exercise	Director engagement is not about box ticking	5	12
You need people who are switched on and engaged to drive value	Driving value and being switched on as key features of engagement	5	18
INSTITUTIONAL INVESTORS AND ACTIVISM		0	0
A marketing tool	Stewardship and activism as marketing tools for investors	3	6
Asset value maximisation	The goals of stewardship is asset value maximisation	5	15
Do they walk the talk	Investor integrity is seen as questionable	5	11
ESG	ESG factors are the topic of dialogue between investors and directors when stewardship is enacted via engagement as a a form of activism	5	17
Global ESG standards are missing	The lack of ESG standards at global level is a source of worry	5	21
Integrated view of ESG is needed	At present an ESG integrated view is lacking	5	14
Investors are increasingly engaging with companies	The tide of investor engagement appears to be shifting (away from historical lack of engagement)	5	19
Optimising short term value	Some investors' goal focus on short-term value maximisation	5	7
Proxies have huge influence on many investors, small in particular	The influence of proxy advisors	3	7
Some investors are passively invested, hence they engage	The influence and behaviour of index funds	5	13

Sustainability reporting is meaningless without numbers	Sustainability reports lack numbers	5	14
There are different types of investors and stewardship	Heterogeneity of investors and how they enact their stewardship duties	5	19
They cannot engage with each and every company	Limitations to investor engagement activities	5	8
They have many ways to voice their activism	Investor activism can take the form of screening (negative and positive), best in class or activism (via engagement, filing resolutions and voting)	5	13
POTENTIAL OUTCOMES		0	0
Creating value	Corporations creating value	5	13
Directors making good decisions	Directorial decisions and actions that serve corporate purpose	5	0
Getting the board engaged	Board engagement	5	11
Nurturing reputation and trust	Reputation and trust (personal and corporate)	5	7
Placing purpose at the heart of business	Developing purpose-driven corporations	5	14

Appendix 5. Informed Consent Form - Main Study

I am inviting you to participate in the research study

Director Engagement with Corporate Purpose:
The Contribution and Potential of Institutional Investors.

I am conducting this research as part of my PhD studies at The British University in Dubai. This doctoral thesis examines how institutional investor stewardship contributes to director engagement with corporate purpose.

Corporate purpose represents what corporations are for. *Institutional investors* have a fiduciary duty of stewardship which refers to a responsible investment approach preserving and enhancing long-term value of the assets entrusted to an investor's care. *Engagement with corporate purpose* refers to how directors become interested and committed to corporate purpose, whether and how they ask critical questions, raise difficult issues, make suggestions, judge information and make decisions on corporate purpose.

Interview and Involvement

Participants to this study include institutional investors and directors of corporate boards The interview will last approximately 60 minutes. The questions are presented in the *Interview Protocol* which will be shared with you separately and ahead of the interview. With your permission, the interview will be audio recorded. You may decline to answer any question and still remain a participant in this study. The audio recording will be transcribed to support the analysis and interpretation of the data collected throughout the study. After the interview, I may need to contact you by telephone or via email if any clarification is needed. If desired, you will have the opportunity to review the transcript of the interview. You will also be given visibility of the aggregate results of the study upon its completion.

Confidentiality and Anonymity

The information you share will be kept strictly confidential. Your anonymity will be guaranteed at all times. A pseudonym will be used for any quotes that you provide which might be included in the final thesis. The interview audio recording and transcription will be accessible only to me and my thesis supervisor, Professor Ashly H. Pinnington, Dean of Research at The British University in Dubai. I will keep all research materials, including the signed consent forms, transcripts, audio recordings and personal notes in a locked cabinet, in a password protected folder on my laptop, and in a password-protected back-up folder remotely accessible for five years after completion of the study. At that time, if not before, I will destroy all research material.

Participation

Your participation in this research is entirely voluntary. If you do decide to take part, you are free to withdraw at any time and without giving any reasons for your decision. If you do decide to withdraw, the interview will be stopped immediately and data specific to you will be destroyed. Your continued participation should be as informed as your initial consent. You are welcomed to ask questions prior, during and after your participation in this study. If you have further questions regarding this research, you can contact me at any time. You may reach me by phone on XXX, or by email at ….You may also contact my thesis supervisor, Professor Ashly H. Pinnington by email …

Thank you for agreeing to participate in this study.

Date: ___________	Date: ____________
Researcher's Name: Selina Neri	Participant's Name:
Signature: ___________________	Signature:____________________

Appendix 6. Interview Protocol - Main Study

My name is Selina Neri and I am conducting my PhD research in the area of corporate governance with a thesis entitled

Director Engagement with Corporate Purpose:
The Contribution and Potential of Institutional Investors

Thank you very much for agreeing to participate in this research project and to share with me your time and expertise. I greatly appreciate your participation and your candid, confidential responses will contribute to advancing the field of corporate governance.

Before we start, I would like to reassure you that:

- Your participation to this interview is voluntary;
- You can refuse to answer any question at any time;
- You can withdraw from this interview at any time;
- This interview is strictly confidential. As already indicated in my previous written correspondence, nothing you say will be attributed to you and you are guaranteed complete anonymity. Results will be reported in aggregate manner. For quotes from this interview that might become part of my final thesis I will seek your consent. Under no circumstances will your name or company association be disclosed, unless you have specifically and formally permitted me to do so.
- You have agreed to recording this interview. This is done for transcription purposes and will help me with data analysis. If you require, you will have the opportunity to view the interview transcript.

Project Aim

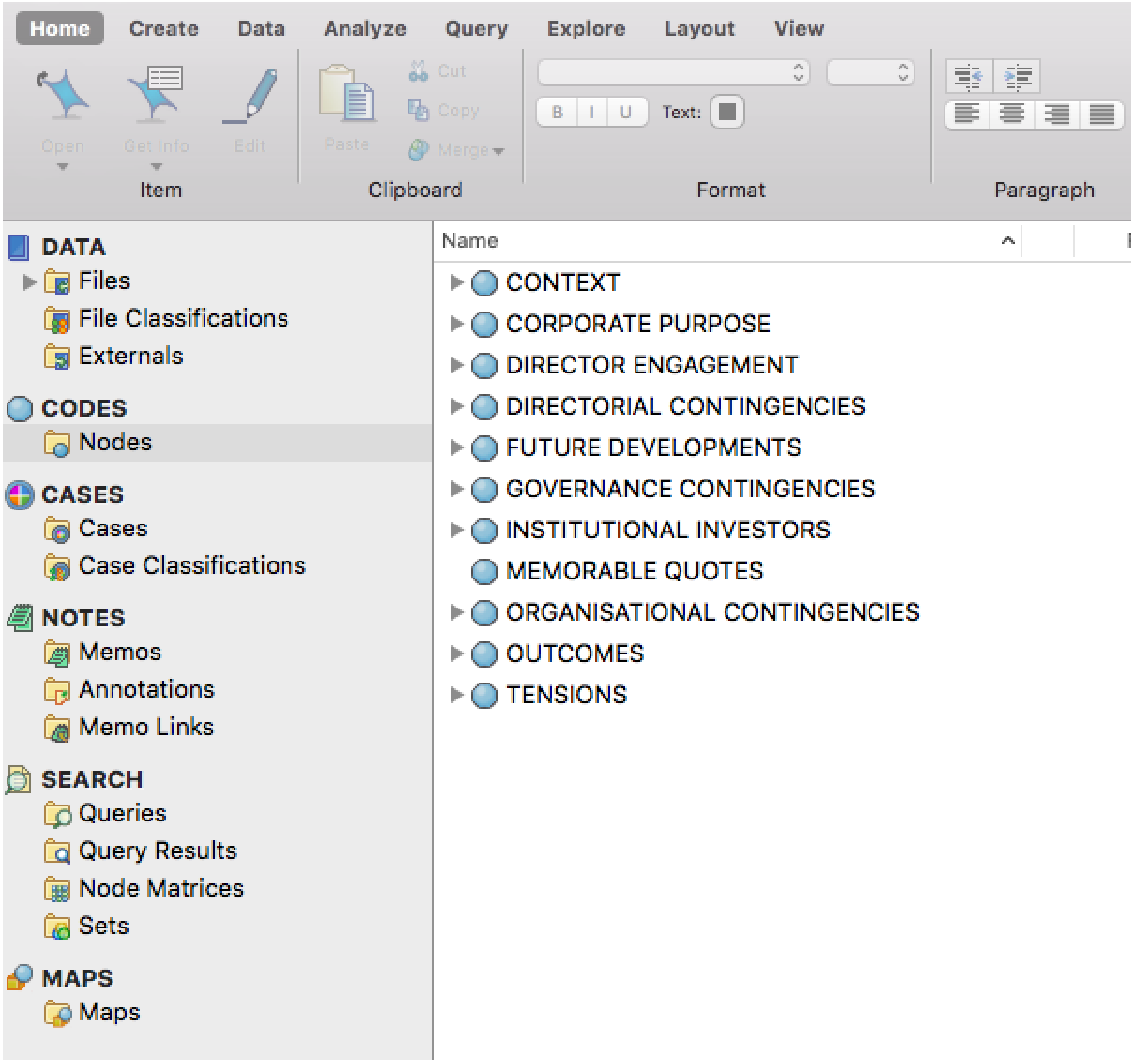
I am conducting this research as part of my PhD studies at The British University in Dubai. This doctoral thesis examines how institutional investor stewardship contributes to director engagement with corporate purpose. Investor *stewardship* refers to a responsible investment approach preserving and enhancing long-term value of the assets entrusted to an investor's care. *Corporate purpose* refers to what a corporation is for. *Engagement with corporate purpose* refers to how directors become interested and committed to corporate purpose, whether and how they ask critical questions, raise difficult issues, make suggestions, judge information and make decisions on corporate purpose.

START RECORDING

I will now ask you seven questions and would appreciate if you could answer them as frankly and as straightforward as possible.

STOP RECORDING

Appendix 7. Parent Codes (in NVivo)



Appendix 8. First-Order Concepts - Main Study

(Total first-order concepts: 618)
Note: ***parent nodes*** *and concepts are listed in alphabetical order.*

NVivo Node Name (with parent node)	Description	Files	References
CONTEXT	Factors mapping the context in which Swiss listed corporations and their directors (and investors) operate (at the point in time of data collection Sept. 2018-April 2019).	0	0
Activism	The context of participants experiences is characterised by activism.	12	49
Army	The army is a key element of the Swiss context, and of the Swiss economic, social and political system.	1	1
Associations	A number of associations represent the interest of business and society, and carry out lobbying at political level.	3	11
Availability of information	Through technology, information is readily available.	2	2
Awareness of society	The level of societal awareness of issues related to purpose has increased considerably.	1	1
Big trends	Macro, geo, socio-environmental-economic-political trends that need to be factored into decisions.	11	13
Boys' network	Boys' network at board level as a key component of the Swiss context.	1	1
Brexit	An issue characterising the political and economic uncertainly corporations are facings.	1	1
Broken quadrangle	The system society-corporations-investors-government used to work well in Switzerland. Now it is broken.	1	1
Challenges of this world	The world is bedevilled by challenges, which make the debate on purpose and how value is created all the more important.	2	2

Changes in politics, society and the environment	In relation to a context characterised by changes that need to be anticipated and understood.	2	2
Climate change	A key challenge humanity is facing.	3	3
Club	The club of Swiss elites who historically managed the country at economic, social and political level.	6	8
Complexity	The degree of complexity in which corporations operate has increased.	7	8
Consumer awareness-mentality	Consumers are more aware of social and environmental issues, and their behaviour is changing.	2	3
Corporate involvement in non-business issues.	Historically, there was a corporate assumption that issues of society, religion, the environment were the remit of governments, not business.	1	1
Country DNA	The DNA of the country as a “container” of all elements that constitute Switzerland.	1	1
Creating carbon emissions	Despite the urgency of climate change, carbon emissions are increasing.	1	1
Crisis of trust	A crisis of trust of society vis-a -vis corporations.	1	1
Customers	In relation to how inquisitive customers have become about how products are produced, where they come from etc.	1	1
Direct democracy	Switzerland as a direct democracy.	2	2
Difficult general environment	Context is filled with difficulties.	1	1
Digitalisation	In relation to the responsibility (of corporations) for how data is handled, as a result of digitalisation.	1	1
Enough skills	The government and corporations worry about finding skilled employees.	1	1
Ethos	In relation to core values and beliefs, or ethos of the old boys’ club-militia system Switzerland is based on.	1	2
Europe	The importance of Europe to Switzerland, despite it not being a member of the Union.	1	3
Fragile contexts	The government expects Swiss corporations to display a higher level of engagement in fragile	1	1

	contexts (such as developing countries) where they operate.		
Instability	As a characteristic of the current context, and the worst condition any firm can face.	1	2
International shareholder base	The internationalisation of shareholders, particularly institutional investors, in Switzerland.	1	1
Internet	The role of the internet in making information available, and in increased consumer and societal awareness.	1	1
Investor clients	Clients as key drivers of institutional investor goals/timelines.	1	1
Italian Banks	An aspect of the issues characterising context.	1	1
Legislation changes	In relation to significant changes in legislation and differences among countries.	1	1
Markets are local	Despite globalisation, market are and remain local.	1	1
Media	Media attention to corporate and directorial behaviour has increased, and contributes to increase visibility of issues of corporate purpose.	2	2
Migration	Political or climate-induced migration as key part of context in the EU and in Switzerland.	1	1
Militia system-boy's club	What the Swiss militia system means and how it is changing.	10	11
Millennials	The force of millennials.	7	11
Mistrust - lack of trust	Lack of trust of society towards business.	1	2
Network of directors	In relation to the network of board members who have historically ruled Switzerland.	2	2
Next generation	General references to future generations	1	1
Obey the laws	In the government’s view, compliance to hard laws is not sufficient for purpose-driven corporate behaviour.	1	1
Old boys network	Historically the ruler of Switzerland.	2	2

Old system	The system on which Switzerland was based is breaking up.	1	1
People are better educated	Younger generations seem to know a lot more about business, and the world in general (in comparison to older generations).	1	1
Politicians	In relation to a crisis of trust of society versus politicians and the political attention that Swiss corporations receive.	3	3
Populistic movement	Populism and how it feeds activism (in Switzerland and Europe).	7	11
Power	The concentration of power in the hands of a few has changed.	2	2
Pressure groups	Pressure groups are at the origin of activism, aiming to influence corporate behaviour on sustainability.	1	2
Public opinion	As a component of context and a potential trigger of engagement.	1	1
Public policies	Public policy is needed to tackle ESG issues.	2	2
Purpose-driven corporations movement	A movement and a debate on what corporations are for.	1	3
Rating agencies	Rating agencies, sustainability indices promote engagement as conformity/compliance but not a view of purpose as corporate development. Part of the context.	1	1
Refugees	A problem that Switzerland and the EU are facing.	2	2
Regulatory frameworks & developments	The importance of regulation (hard and soft) as core part of the Swiss context	23	55
Research & development provider	The significant Swiss role in foreign research and development.	1	1
Role of the government	The Swiss government role in setting framework conditions for directorial and corporate behaviour.	4	23
Rules of the game	The rules of the game have changed. Creating non-sustainable value is no longer viewed as an option.	3	4
Small country	Being a small country makes it difficult to find local directorial talent, as in most cases there is a conflict of interest, yet it is an	1	1

	advantage in terms of "everybody knows everybody".		
Social development	As a result of social development, in Switzerland people have become more responsible.	1	1
Social media	The role of social media in increasing exposure to information and social oversight on corporations.	4	9
Social unrest	Social unrest as one of the challenges of our time.	1	1
Societal changes	The general changes taking place in society and what is acceptable, in other words the "mood of society".	5	6
Society is watching you	Societal observation of directors and corporations. Society includes people, customers, government, investors.	11	17
Sophistication of markets	The level of development of a country in regard to its governance system affects directorial attention and goals.	1	1
Speed of change	Speed of change in technology, politics, trade is too fast for directors to keep up.	1	1
Spotlight	Boards and directors can no longer hide. They are in the spotlight.	18	22
Statesmanship	Historically, in Switzerland, board membership was about statesmanship (being a member of the government).	1	1
Sustainability in Switzerland	Sustainability know-how in Switzerland is superior to other countries, but focussed (mainly) on environmental issues.	1	2
Swiss business and society	The general make-up of the Swiss context as far as business and society are concerned.	10	81
Swiss corporations outside oriented	Given the size of the domestic market, being outside oriented has played a key role in developing Swiss global corporations.	1	1
Swiss law	Swiss law assigns very specific rights and duties to directors and boards.	6	12
Trade conflicts	The current climate of uncertainly around trade and trade agreements.	2	2

Trying to survive	Given the current climate, corporations are trying to survive.	1	1
Uncertainty	The societal, economic and political uncertainty corporations face.	1	3
Value system of society	There is an erosion of the value system of society in general, not just Swiss.	1	1
Voluntary measures	Voluntary measures are not enough for changing corporate behaviour.	1	1
War for resources	There is a war for natural resources to maintain or grow production, across industries.	1	1
Way of doing business in Switzerland	A long-term, relationship oriented way of doing business in Switzerland.	1	1
What the government expects	The Swiss government sets framework conditions and expects companies to behave within those conditions.	1	3
You cannot delegate strategy, you exercise it.	Swiss law assigns directors and boards a legal responsibility for strategy.	12	22
Younger generations	The younger generation shows increased awareness and care about ESG issues.	9	11
CORPORATE PURPOSE	How corporate purpose is perceived.	0	0
Aspects of purpose	Purpose is perceived as multidimensional, social-environmental-financial aspects.	2	2
Changes in corporate purpose	How the search for answers to the question “what a corporation is for?” has evolved.	24	107
Compliance	Compliance as one aspect of purpose.	3	3
Contributing to the good image of Switzerland	How purpose contributes to the country’s and corporate branding.	1	1
Core business	Corporate purpose is about core business.	15	16
Corporate development	Corporate purpose as a corporate development topic. Indication of an engagement continuum.	23	25
Corporations do not operate in a vacuum	Interdependency corporations-society.	1	1
Creating value	Corporate purpose is about value creation.	7	13

Corporate responsibility	How purpose differs from corporate social responsibility in participants' views.	4	5
Cyber risk, cyber security	How purpose is also about cyber risk and security.	3	6
Definitions of corporate purpose	Participants' definitions of corporate purpose.	37	178
Destroying value	Destroying value is not the aim of a commercial endeavour.	1	1
DNA - genes	Successful companies have or plant corporate purpose in their DNA.	8	8
Economic, social, environmental aspects	Corporate purpose has economic, social and environmental dimensions.	2	3
Fil rouge	Corporate purpose as the fil rouge that should inform every business decision.	1	1
How and why purpose matters	How and why purpose matters (talent, investors, society, risk taking, innovation culture etc).	9	24
How purpose links to innovation and corporate development	How purpose is conducive to innovation and corporate development, if enacted as sustainable value creation.	4	8
How value is created	The *how* of purpose characterises our time and the debate.	10	10
Human rights	Human rights as an aspect of corporate purpose and a key responsibility of corporations.	1	1
Interdependent	The three aspects of purpose are interdependent	20	45
Keys of the company	Metaphor of corporate purpose.	1	1
Short-term versus long-term	In regard to the time horizon of purpose, which includes short and long term.	9	20
Materiality	Material ESG issues to the company's bottom line.	9	13
Maximising value and maximising profits	Profit maximisation versus value maximisation.	1	1
Measurement	Possible ways to measure purpose as value creation.	7	18
Philanthropy	Philanthropy and corporate purpose (conformity to social norms).	1	2
Purpose as a trend in management thinking	Purpose is seen as a trend in management thinking.	1	1

Responsibility of corporations	Corporate purpose as it relates to the broader debate/perception of the responsibility of corporations.	11	21
Shareholder value	Corporate purpose used to be only about shareholder value.	6	9
Social purpose	Corporate purpose differs from social purpose.	1	1
Stakeholder view of business	A view of corporate purpose.	2	2
Stakeholders	Stakeholders for whom value is created.	3	3
Stock price	Stock or share price as a measurement of corporate purpose	2	2
Strategy	Corporate purpose as the guide of strategy.	1	2
Stuff like that	How the multiple dimensions of purpose can be reduced to a generic and dismissive “stuff like that”.	1	1
Sustainability	Sustainability as a core component of corporate purpose. Primarily related to social, economic and environmental sustainability.	16	36
Sustainable development	How corporate purpose may relate to sustainable development at local, regional of country level.	1	2
The true test of purpose	The test of whether a firm truly lives its purpose (trade-offs).	1	1
These topics are just not core	A view of purpose and its facets as non-core, tangential to business.	2	2
To deliver value for investors you need to deliver value for society	Societal value is conducive to value for investors.	1	1
To do things which are truly valuable	In regard to differences between acting on purpose versus reputation and brand image only.	1	1
Value distribution	How value is distributed among stakeholders.	2	2
What is value	How value is understood (debatable).	3	4
DIRECTOR ENGAGEMENT	The extent to which directors commit their affective, behavioural and cognitive resources to corporate purpose.	0	0
An unfriendly encounter with a problem	As a trigger of director engagement.	2	2
Changes	Engagement changes, it is transitory and contextual. Indication of the	3	3

	journey/process of engagement. Temporal dimension. Indication of an engagement continuum.		
Conformity & compliance	Meeting formal and informal obligations is conducive to engagement, however it can also translate in engagement as compliance only. Participants refer to both meeting formal legal requirements (compliance) and meeting/exceeding societal norms (conformity).	8	12
Director Attitudes	Affective dimension of director engagement (feelings, evaluations, attitudes).	0	0
Being comfortable with taking risks	Risk-taking attitude as a facet of engagement.	1	1
Being interested	The predisposition, feeling of wanting to know more about issues related to purpose.	9	14
Being sceptical	Some directors are still sceptical about climate change. They do not see it as a priority-risk.	1	1
Commitment	Commitment (towards the role and the company).	8	12
Concern-interest-care	As an emotional predisposition towards issues, purpose, the company.	19	32
Directors who are never committed	Commitment as an attitude towards the role and the company.	1	1
Down to earth	As an attitude towards the role and engagement with purpose.	3	5
Entrepreneurial Spirit	An attitude to the role and to the company.	1	1
Feel strongly	An attitude towards corporate purpose, feeling strongly about it and its role in driving corporate change.	1	1
Flip the approach to investors	Attitude: engaged directors are not at the mercy of investors, they have an attitude to investors as stakeholders for whom the company has to be/remain attractive.	17	19
Hanging on to their seats	Not engaged directors hang on to their seats.	1	1
Have the guts	Having the guts to speak/take action.	1	2

I want to take the company into the future	An attitude towards the role and the company.	2	3
Identification	The importance and extent to which identification with the company and the role is a facet of engagement.	6	9
Learning	Directors viewing engagement as a learning opportunity and process.	17	31
Media-press-social media	Engagement requires resilience towards the media and what is reported.	2	8
Mindset-mind-mentality	An attitude or set of opinions about many facets of purpose, and an aspect of engagement.	8	12
Money and prestige	Attitude towards money and prestige is an important affective dimension of engagement.	5	11
Not interested	Directors not interested in the topic of corporate purpose and not interested in engagement.	1	1
Not to look at stock prices	Directors should not to let stock performance drive decisions and actions.	1	1
Passion - energy	A predisposition towards displaying passion, feelings of being passionate about serving as director and about value creation. Energy is seen as connected to being passionate.	4	9
Personal interest	A personal interest in corporate purpose as conducive to engagement. It takes personal interest to drive engagement.	1	1
Predisposition to cash in	Cashing in the shares as key predisposition towards not being engaged.	1	1
Resilience	Resilience at director level, entails bouncing back from events that disrupt or threaten one's functioning.	15	17
Risk management	An attitude towards purpose as risk management.	4	5
Risk mitigation	An predisposition towards purpose (and ESG related issues) as a form of risk mitigation.	1	2
Sense of contributing to others & having impact on society	Attitude to others, to society, investors.	18	31

Something I can be proud of	An affective dimension of engagement: serving with purpose.	1	1
Stand with both feet on the ground	As an attitude to life, not only to directorial roles. It requires personality and courage, opposite of big ego.	2	2
Taking it seriously	An affective dimension of engagement. Taking the topic seriously.	1	2
Unhappy	Being unhappy with the status quo.	1	2
Wanting to dig	Directors wanting to dig deep into issues as a condition for engagement behaviour.	1	1
We need to be speaking up	An attitude towards speaking up about issues of purpose.	1	1
Willingness	Willingness as an affective/attitudinal dimension of engagement (willingness to engage).	1	1
Director Behaviour	Behavioural dimensions of director engagement.	0	0
A form of control	Engagement goes beyond "looking at something". Control vis-a-vis one's own understanding/beliefs/views on whether something is sustainable.	1	2
A way we engage with purpose	Apprenticeships and attention to talent pipeline as a behavioural display of engagement with purpose.	1	1
Abstaining from voting	Formally declining to vote on board motions is an indication of a (lack of) engagement. Behavioural dimension. Temporal dimension. Exceptionally, it can mean engagement (exercise of structural independence).	1	2
Asking for second opinions	As a signal of directors who do not engage, as they prefer to rely on others doing the work to inform their decision making.	1	1
Asking questions	Questioning information and asking question in general.	18	28
At point zero of engagement	A way to describe some directors' behaviour/ not engaged/are at point zero. Indicative of continuum.	1	1

Attracting the right investors	Attracting the right investors as a behavioural dimension of engagement.	4	5
Becoming more and more professional	A behavioural dimension of engagement.	1	1
Being interested	A behavioural dimension of engagement, being and displaying interest in purpose and in its sustainability dimensions.	1	2
Being more active	Being active in terms of displaying activity in behaviour rather than just viewing purpose as a statement or philosophy.	1	1
Being passive - passivity	A behavioural dimension of (lack of) engagement. Possibly an indication of an engagement continuum and its temporal dimension.	1	4
Being strong	In relation to a behavioural display of strength vin regard to investors on the topic of purpose, its trade-offs and timelines.	2	4
Being switched on	A status of alert/attention to purpose. At the opposite side is “clueless”. Indicative of a continuum.	4	5
Being visible	Becoming visible in directorial behaviour as a dimension of engagement with purpose.	1	1
Bringing topics up	Bringing up topics related to purpose as a behavioural display of engagement.	2	3
Building relationships	Building relationships internally and externally.	2	5
Changing the conversation	Directors (particularly Chairs) actively attract and manage investors.	2	2
Clueless	Being and displaying “clueless” behaviour in regards to aspects of purpose. Indicative of a continuum (point zero?).	7	13
Collect good information	An example of behavioural aspects of engagement in regard to collecting information to inform further engagement behaviour.	1	1
Communicate	Proactive communication from directors towards investors.	2	2

Dialogue, exposure to others	The behavioural display of dialogue and exposure to stakeholders to get a bigger picture, understand changes, trends, communicating with investors and society.	21	37
Digging in the data	Not accepting information at face value, digging into the data.	1	1
Directors and boards are moving ahead	A display of activity in behaviour in regard to purpose.	1	1
Directors who want to be compliant	A behavioural display of engagement as compliance to hard law. Possibly one side of the continuum.	1	1
Directors who want to bring the business ahead	Director intended behavioural engagement as a way to add value and bring the company forward.	1	1
Display of long-term outlook	A behavioural dimension of engagement in regard to long term, which is shaped by short term-medium term actions. From long term backwards to short term.	2	2
Do you walk the talk	Suiting one’s actions to one’s words.	1	1
Driving- pushing	A directorial-chair display of a behaviour driving engagement with purpose. Also in relation to pushing those who do not engage.	6	7
Engaging with values	An example of director behavioural dimensions of engagement in regards to company’s values.	1	3
Fight the fights that need fighting	“Fighting” behaviour as a dimension of engagement.	2	2
Fighting	Fighting for what the company is for (purpose).	1	1
Finding out what is happening	Eyes and ears in the field.	1	1
Flip the conversation	Turning the conversation around with investors (as opposed to investors leading the conversation, directors own the conversation, how and what).	2	5
Force the hand	Directors need to prompt other directors to drive a purpose-driven business as purpose has become an existential topic.	1	1
Going deep in the business	Going into the business locally and abroad to understand and learn.	13	29
Growing in the director role	Building directorial experience as a component of engagement. An	1	1

	indication of an engagement continuum.		
Hands-on	Hands-on behaviour as active participation, drive (to help others or in directorial activities in general).	2	2
How you as director live those values	Living the company's values and explaining to investors (among others) those values.	1	1
I dared to speak up	An example of speaking up. Daring entails courage to do something.	1	1
I do not handle it myself	Delegation of issues related to purpose (here seen as non-core)	1	1
If you only act on pressure you are still in risk mitigation	Acting under pressure as a behavioural dimension of engagement for mitigating risks. Indication of an engagement continuum.	1	1
Living down to earth	Directors living a down to earth life (rather than an elite life). Remaining in touch with society.	2	3
Looking at issues strategically and in innovative ways	Taking a strategic and innovative look at purpose not only as risks, but also as opportunities.	1	2
Making decisions independently	Decision making with an independent mindset.	4	4
Not at the mercy of investors	Displaying a behaviour signalling that investors do not dictate directorial behaviour.	1	1
Not contributing	A lack of behavioural display of engagement in the form of contribution to board work. Indication of an engagement continuum.	1	1
Not sharing information	Withholding and/or not sharing information within the board and with the CEO.	2	2
Passivity	A director behaviour (or lack of) in regard to engagement. Possible indication of a continuum of engagement.	1	2
Prepared for board meetings	Engaged directors are always well prepared, as a sign of commitment to their role and the firm.	4	5
Proactively manage your investors	Proactivity in regard to dialogue with investors.	2	4
Rethinking, self-questioning	Taking the opportunity to process investor feedback and to consider-	2	2

	assess (certain assumptions or beliefs) and reflect.		
Roll up their sleeves	Being prepared to work (and fight)	1	1
Saying what you think	Engagement means also speaking one's mind (as opposed to what others might want to hear).	1	1
Seeing things before others	The ability and behaviour of anticipating, seeing ahead.	1	1
Seeking advice	Seeking advice on matters where internal expertise is lacking.	1	1
Speak up	Speaking up, speaking one's mind.	5	6
Stand up for what they believe in	Speaking or acting in support of what directors believe in.	1	1
Stand your ground	Taking a stand on issues and justifying decisions/opinions.	1	1
Taking the time	Taking time to understand issues in and outside the boardroom.	3	3
Talking to customers	Dialogue with customers is lacking at board level and engagement with customers is a behavioural dimension of engagement with purpose.	1	1
Teamwork	Teamwork at board level is needed.	2	2
Turn it around	In relation to directors turning the conversation with investors around to explain the strategy and attract the right investors.	2	5
Using investor feedback	Using feedback from investors as a learning opportunity to take the business forward.	1	1
Values not displayed	Lack of display of the values behind a purpose.	1	2
Very straight	Being straight, direct.	1	1
What we say we do	Walking the talk.	1	1
Win over shareholders	Winning over investors with the company story (and purpose).	1	1
You help to steer this company	A behavioural example of engagement with purpose.	1	1
Your behaviour has to be credible	Walk the talk to gain credibility.	1	2
Director Values and Beliefs	Cognitive dimension of engagement	0	0
Achievement and Discipline	A sense of achievement and discipline regarded as ideal (since childhood).	7	6
Awareness	Awareness as knowledge/perception (as well as concern) for purpose.	5	5

Beliefs	(Firmly) held opinions/beliefs about purpose.	4	6
Conviction	A firmly held belief of what a company should go after.	3	3
Credibility	Credibility as value (an idea about what is desirable). Personal and company's credibility.	1	1
Earn trust and respect	Earning trust and respect as a value, regarded as desirable.	2	4
Help thinking issues through	A belief that thinking things through and helping others to do the same is a desirable directorial service.	2	2
High ethical values	Relatively stable beliefs about what is right, just and fair.	2	2
Innovation	A general conception of innovation as necessary for sustainable value creation.	5	6
Knowledge-insight	Knowledge and the capacity to gain a deep understanding and Aha! Moments about issues/people.	17	34
Knowledge of stakeholder aims	Knowledge and the capacity to gain a deep understanding of what stakeholders are aiming for.	12	31
Knowledge of shareholder aims	Knowledge and the capacity to gain a deep understanding of what shareholders are aiming for.	21	13
Knowledge and insight on the business	Knowledge and the capacity to gain a deep understanding and/or Aha! moments about the business.	15	10
Long-term - big picture orientation	Conceptions about the longer term direction of the company, its broader role in society, a bigger picture of purpose.	10	14
Personal values	Personally held directorial beliefs of what is desirable.	17	28
Serving on a board without being paid	A belief that true engagement means even readiness to serve without fees.	1	1
Share the company values	A belief and value that the company's values are desirable, just, fair.	1	1
Short-term thinking	Directors with short term thinking as a consequence of money being their main motivation.	1	1
System thinking	System thinking, viewed as desirable/needed for a director role.	1	2

Think totally different possibilities	Engaged directors value the ability of thinking different possibilities.	1	1
Thinking	Thinking as a core, desirable activity of activity for directors (here thinking in project cycles, thinking about what the firm is for).	4	6
Integrated thinking	A belief that integrated reporting requires and supports integrated thinking.	16	17
To make a difference	A belief in wanting to make a difference as prime goal of serving as director.	20	21
Turning environmental issues into opportunities for innovation	A view of environmental dimensions of purpose as opportunities to innovate and for new business.	17	21
Understand values in action	A belief that comprehending how the company lives its values is desirable for directors and a component of engagement.	1	1
Understanding and anticipating macro changes	A belief that anticipating and understanding trends is part directors' role.	22	23
Understanding of corporate purpose	Director knowledge and insight about purpose varies and impacts engagement.	4	4
Understanding of ESG	ESG issues are seen as aspects of purpose, hence beliefs about ESG or knowledge and insight on the topics are cognitive dimensions of directors engagement.	21	26
Understanding of sustainability	A belief that knowledge and insight of sustainability is desirable for directors and it is the nature of value creation.	17	19
Understanding risks and opportunities	A belief that issues of purpose (and related ESG) can be viewed as risks and opportunities.	11	16
Understanding the business	Understanding the business of the company a director serves is viewed as needed/desirable for the role and for engagement.	14	16
Understanding what is happening in the field	It is desirable for directors to develop an understanding of what is out there.	17	18
Value system of directors	A belief that a director value system plays a core role in engagement as	16	16

	all general modes of conduct that guide perceptions and beliefs.		
Values are key	A belief that personal values are a core component of engagement as ideas about what is desirable in a variety of issues.	17	23
Wanting to add value	Directors' evaluation/ideas about what being a director is for: to add value.	16	17
What is governance about	How directors understand governance and how this understanding had changed.	3	3
You don't get one single question	Lack of investor questioning is taken as a signal that purpose is not core business, hence engagement is not necessary.	1	1
Examples of director engagement	A selection of how participants have described engagement.	22	23
How director engagement matters	A selection of examples as to how and why engagement matters, particularly at individual director level.	8	13
How directors engage is a balance	Engagement as a balancing act between different situations and requirements. Process of engagement. Temporal dimension, indication of an engagement continuum.	9	11
It is a journey	The journey/process of engagement. Temporal dimension, indication of an engagement continuum.	7	12
DIRECTORIAL CONTINGENCIES	Contingencies at directorial level influencing behaviour director engagement.	0	0
A generational shift is happening	In relation to a shift that is very visible in some companies.	7	11
Age is evolving	Directors are getting younger.	16	10
Age - generational shift	Different age groups are elected to boards (younger) and exposure to generational shifts taking place in society (millennials etc.) is key.	15	30
A particular way of feeling what I do as director	In relation to a personality trait affecting engagement.	6	12
Ambition	A condition for engagement.	1	1
An unfriendly encounter with a problem	As an individual director contingency triggering engagement.	1	1
Anticipate externalities	Part of directorial roles.	9	12

Availability is critical	Time availability.	18	18
Background	Educational and professional background.	9	13
Been determined	Determination as a personality trait influencing engagement.	13	12
Bringing in other perspectives	As an important condition for engagement.	1	1
C-level experience	C-level experience is needed for serving on a board.	1	1
Compensation	In Switzerland, director fees are quite high, hence not viewed as a directorial contingency for engagement.	7	10
Competencies	Competencies of individual board members (and how they relate to board competencies).	2	2
Courage	Courage to speak up and act.	17	30
Courage d'esprit	Courage in relation to moral or societal risk (rather than physical).	19	15
Define and shape the values of the company	As a core duty of directors.	23	27
Deliver financials	A view of what belongs to directorial roles.	14	23
Different experiences	It is important for directors to bring different experiences to bear.	2	2
Direct access to people in the firm	Importance for a director to have direct access to people in the organisation.	1	2
Director and board roles and duties	Director and board roles, responsibilities and duties as a core contingency for engagement (how directors understand their roles).	27	118
Directors not fitting in culturally	A directorial contingency impairing engagement.	1	1
Effort	Engagement requires effort.	1	1
Either you have this DNA or you don't	Engagement as rooted in directorial DNA.	1	1
Engagement with good content and added value	Desirable engagement has content and value added.	1	1
Entrepreneurial spirit	Engaged directors display entrepreneurial spirit (rolling up their sleeves).	14	16
Experience-expertise-	Conditions for directors to engage.	6	7
Exposure to younger generations	Exposure to the generational shift is relevant to engagement (younger	18	20

	directors, younger consumers, younger asset owners etc.).		
Fellow directors views on purpose	Other directors' views on purpose discussions.	1	3
Foreign directors	Foreign directors as a factor potentially creating issues for engagement.	2	5
Human beings	In regard to human condition and frailties.	1	1
Human nature	Human nature tends to derail and focus on short term/money.	3	6
I am one of the shepherds	Directors as custodians of purpose.	12	11
I make sure the company lives up to its purpose	In relation to how directors view their role and duty.	17	19
Ideas about independence	Different views on the meaning of director independence (from structural independence to mindset independence).	1	2
In charge of their professional lives	Directors who lead their professional lives.	1	1
Independence	As conditions for directors to engage: both structural and mental independence.	12	19
Industry background	Industry background can be important.	4	5
Information asymmetry	Between executives and board members makes engagement necessary.	1	2
Intensity of tenure	An intense tenure is one where a director remains engaged through his/her tenure, building competence and value.	17	19
Knowledge of issues	Knowledge of issues and society's *Zeitgast*. Knowledge as a condition for engagement.	7	12
Lead the company, the strategy, the culture and the people	In relation to how directors see their role.	16	9
Learning	In relation to motivation to learn.	18	16
Mandate collectors	As a motivation behind serving on boards (limiting engagement).	3	4
Mandates - Overboard	Number of parallel mandates can affect engagement Too many mandates mean not enough time to engage meaningfully.	12	29
Money and prestige	Money and prestige as motivation behind serving as director.	3	3

Motivation	Different reasons why directors serve and their link to engagement. A change seems to be taking place from prestige (as motivation) to learning, industry exposure, exposure to the interworks of a board, making a difference.	14	28
Nationality does not matter	It is not a contingency for engagement.	1	1
Not just big egos	Directors with big egos tend not to engage.	2	2
Not trusting	A "healthy" lack of trust in management triggers engagement if directors go beyond their monitoring task.	11	12
Older does not mean less engaged	Age per se is irrelevant, as engagement depends on exposure to the generational shift taking place, rather than age per se.	19	23
People with impact	Directors who engage with purpose are people with impact, they create positive change.	1	1
Personal reputation	Since reputation is linked to trust, caring about personal reputation can be conducive to engagement.	3	4
Personality	Personality (a set of certain relatively stable traits) is needed for engagement.	28	63
Portfolio careers	An expression commonly used in Switzerland to indicate directors who left their executive careers to hold multiple mandates at the same time. Portfolio careers make directors dependent on the fees earned while serving on a board.	1	1
Resilience	Resilience at director level.	1	1
Set governance arrangements	As part of directorial duties	11	10
Skill set	Skill set is one of the contingencies for engagement, yet skills without personality and willingness mean nothing.	2	3
Stop being happy with consultants	In relation to directors delegating to consultants, to do the work on articulating all aspects of purpose, i.e. sustainability and ESG.	1	1
Strength of character	In relation to *Charakter* (in German), volition.	17	21

Striving to achieve	In relation to a personality trait influencing engagement.	13	7
Swiss nationality	Being Swiss can help with political lobbying, which can be seen as part of engagement.	1	1
Technical knowledge	A nice to have/ contingency for engagement.	1	1
Tenure	Number of years serving on the same board. If tenure is too long it can create issues for engagement. Yearly election of directors means yearly evaluation.	1	1
They thought that it was not necessary	Directors thinking that engaging with the government on OECD Guidelines for multinational Corporations was not necessary.	1	1
Time	Time availability to engage. Also linked to number of parallel mandates at any point in time, ongoing executive careers etc.	11	18
To bring the company into the future	A motivational factor to engage.	6	12
Too much information	Directors are confronted with hundreds of pages of reports and power-points which make going deep into issues quite difficult.	1	2
Understanding terminology and topics.	Not understanding terms and topics makes engagement difficult or, at least, it poses a challenge.	2	2
We are the captains of the ship	In relation to how directors view their roles.	17	18
We are not contracted for five meetings	In relation to the "standard" number of meetings directors are contracted for.	18	17
Women are more selective	In reference to their motivation to serve on boards and whether they like how the company/board are run.	1	1
Women care more	Women care more about purpose then men.	1	1
You need a considerable budget of time	Time-making time is critical to engagement.	20	22
You need directors who can think in terms of systems and long-term	Cognitive abilities to think in terms of systems/interdependencies and long-term.	2	2
Younger directors	Directors are getting younger.	11	12

FUTURE DEVELOPMENTS	Future developments, opportunities and challenges in regard to director engagement and the development of purpose-driven corporations.	0	0
A genuine interest in purpose	A genuine interest is needed, to drive companies towards living their purpose.	1	1
Annual General Meeting	In the future, when engagement and relationship building with shareholders becomes the norm, an annual general assembly might not be needed, at least not in physical form.	1	1
Keep attracting the right investors	An important future development for purpose-driven corporations is to proactively attract investors who are aligned/can align with purpose.	13	17
Big trends	Selected examples of trends affecting corporate governance and the role/work of directors.	1	1
Changes in how directors are selected	Director engagement requires a change in director selection approaches.	1	1
Changes in society and consumers	Societal and consumer attention to sustainability issues, to living purposeful lives, will help companies to become purpose-driven and directors to engage.	1	2
Climate change	Climate change as one of the most urgent challenges. A potential driver of future development in corporate governance.	2	6
Common sense	There is a need to apply more common sense at the top.	1	1
Convince middle management	Embedding purpose in the heart of business will require explaining and convincing beyond/below C-level.	1	1
Customers	With the increasing importance of purpose to customers, a change in corporate behaviour will happen.	1	1
Cybersecurity	Cybersecurity as an emerging threat. A top board priority that needs to be understood as to how it affects the business and its purpose.	2	3
Directors need education	Education to be able to grasp and understanding a multitude of topics and to take a wider, integrated view on issues and decisions.	24	27

Diversity	More diversity is needed (gender, background, education, skills, age etc.)	1	1
Dual-class shares	A worrying development that is taking place.	1	1
Engagement of board members will become more and more important	The importance of director engagement will grow.	1	1
ESG standards are needed	Views of ESG factors as non-financial, and the lack of standards need to urgently be addressed.	1	2
ESG reporting	ESG reporting and how it should link to financial reports. Link to the debate about financial-non-financial, integrated reporting.	1	1
ESG standards of measurement	The lack of globally accepted ESG standards perceived as one of the biggest problems to tackle.	20	22
ESG will go mainstream	ESG topics will increasingly be regarded as "normal" business.	11	11
Feedback on investor meetings	In relation to Chair's feedback on strategic meetings with investors.	19	22
Governance should evolve	Evolution of how corporate governance is enacted. Moving from compliance/control towards governance as value creation.	3	3
How do I gain the long term investors	Directors (chair in particular) need to focus on attracting the "right" type of investors for journey of purpose.	1	1
How do we go from macro trends and ESG issues to actual strategy?	Directors need help in understanding how the big picture translates into strategic decision making.	24	26
Impact of technology on society	Technological development will bring job cuts, unemployment, issues for the pension system as well as opportunities.	1	1
Incentive scheme for board members	Changes are beginning to happen in the structure of director compensation and the trend will continues. More longer term-oriented compensation to drive value creation.	1	1
Increasing importance of passive and index-based investors.	This trend will continue for those index funds who have demonstrated a focus on stewardship and ESG.	1	1

Increasing importance of stewardship on companies	As sustainable investment grows in terms of assets invested, so will the importance of investor stewardship on investee companies.	1	3
Integrated reporting	The trend towards mandated integrated reporting will continue, however a different view is needed as to what "integrated " actually means/should mean.	17	19
Investors have to do what they preach	Changes in investor behaviour are needed to align shareholders and boards around purpose and the trade-offs it entails.	14	25
More interest in living purposeful lives	Younger (and older) generations are showing more interest in purposeful lives. This will impact director engagement.	1	1
More transparency	More transparency will support director engagement.	1	1
Much is related to the shareholders you attract	Attracting the right shareholders as a future trend shaping engagement at director level.	1	1
Multinationals will wake up	A wake-up call is awaiting corporations, with directors driving purpose as core director duty.	1	2
Non-financial reporting	Upcoming Swiss legislation on mandated integrated reporting (along EU lines).	1	1
On the right track	The journey towards purpose-driven firms and engaged directors is perceived as happening, directionally "on the right path".	2	2
Ownership structure	Alignment of large shareholders to purpose: long term investor horizon.	3	3
Planetary regulations	Planetary regulation would be needed for climate change, however there is no body that can enact and enforce them.	1	1
Popular initiatives	More popular initiatives around topics of purpose and ESG will take place in Switzerland, forcing dialogue among government, society and business.	1	1
Purpose and performance	Performance as a core dimension of purpose.	1	1
Purpose as core business	Increasingly, a view of purpose as core business (corporate	11	17

	development in the broadest sense), is developing.		
Purpose of capital	There is a need to tackle the broader question of the purpose of capital and situate the debate on purpose and purpose-driven corporations within that.	1	3
Push back and give us a chance to do the right things.	In relation to directors pushing back on regulation and pressure (in general) for directors to be box tickers.	1	1
Rating agencies	The future of sustainability and ESG rating agencies, and how their lack of insight and in-depth understanding of corporations can be counterproductive to director engagement.	2	3
Regulatory developments-frameworks	Regulatory developments such as mandated human rights due diligence, gender quotas, integrated reporting, mandated sustainability reporting might hinder engagement as corporate development.	12	21
See purpose as a key part of your mandate.	Recognition that purpose and sustainable value creation are a fiduciary duty of directors.	18	20
Speed dial	ESG incorporation in investor and directorial decision-making need to accelerate. Sense of urgency.	1	1
Standardisation and benchmarking	The lack of common standards of measurement and report on all aspects of purpose (and ESG) is holding back engagement as corporate development, and the evolution towards purpose-driven corporations, while the proliferation of standards only creates confusion and a consulting industry for ESG.	16	18
Sustainable value creation is good business	A common understanding of purpose as sustainable value creation and as an opportunity (beyond risks) is needed among directors and investors.	1	2
Technological developments	How technological development will impact governance and director engagement.	1	1

The chair is a driving force	The chair can make director engagement happen.	26	28
The chair must set the example	On the importance of the chair setting the example for director engagement.	19	23
The more investors-directors engage the less we need proxies	The future of proxy advisors is uncertain. There is a general feeling that the need for these “middlemen” will fade or they will remain relevant just for small, independent shareholders.	6	10
The social element of ESG will become more mainstream	Inequality is growing. The social aspects of ESG (and of purpose) will grow in importance and relevance.	3	5
Training - education	In relation to what is needed to become an engaged director.	3	7
Translate long term targets into short term goals and short term returns	A much needed, “simple” exercise of translating long-term goals into short term objectives and returns for the company and its investors.	1	2
Understanding ESG materiality and how it changes	ESG materiality as one of the most difficult tasks, despite frameworks available at industry level.	18	21
Use of data	Data privacy and management will become one of the key concerns and should be regarded as an aspect of purpose, hence included in the “purpose discussion” moving forward.	1	1
We need a cross-generational perspective to minimise risks	In relation to how do we transition to a cleaner and more inclusive economy.	1	1
We need a different way of translating value and ESG issues into investor returns and our P&L and balance sheet	There is a need to address issues of how to manage purpose, ESG, value creation, as global standards are missing.	4	6
We need integrated thinking	At directorial level, the ability to integrate different topics, trends, factors into cognitive processes is needed.	19	20
We need the help of investors	Translating value creation into measurable objectives and ESG materiality require the help of investors.	1	1
With ESG jobs might fall, problems might occur	Fears behind ESG consequences/effects keeps	1	1

	directors away from fully understanding the associated risks-opportunities. This fear should be overcome.		
Your budget needs to be four-five years.	If firms are going after purpose, the budgeting cycle needs to evolve to longer timeframes.	1	1
GOVERNANCE CONTINGENCIES	Governance factors that influence director engagement with corporate purpose.	0	0
A circle of accountability	Corporate governance and stewardship codes are relevant frameworks for directorial and investor accountability, but they need to be enacted.	1	1
Agenda topic	Purpose-related issues on the board agenda support engagement at director level.	16	11
Articles of association	Reflecting purpose in the articles of association as a key contingency at governance level, conducive to director engagement.	3	8
Ask directors to leave	Yearly election of directors allows for exits when needed. A governance contingency that can address lack of engagement issues.	14	16
Board committees	Committees at board level dealing specifically with purpose can support director engagement.	19	45
Board compensation	Compensation structure more important than compensation level. Linking structure to long term value creation.	2	2
Board culture	The culture shared by those at the top as an important contingency for director engagement.	18	20
Board discussions	Board discussions around purpose are an indication that purpose is perceived as strategic, and support director engagement.	17	11
Board meetings	The frequency and quality of board meetings influences director engagement.	16	18
Board training	Training directors in areas related to purpose, usually not covered in training programs.	3	4

Board-CEO relationship	In relation to C-level engagement with purpose requiring directors (and chair) close relationship with the CEO and the executive team to make it happens.	16	17
Boards too big and large	Board size can be detrimental to engagement if it consists of too many members, as discussions might be difficult.	1	3
Bring the customer to the centre	Customer centricity at board level is important to understand requirements and anticipate changes.	1	1
Budgeting cycles	A governance contingency requiring the board to approve longer budgeting cycles.	1	1
Chair	The role of the chair as a key governance contingency for director engagement.	35	126
Coalitions in the board	Coalitions may form at board level (particularly in times of crisis). Seen as counterproductive to engagement (example of a most recent Swiss listed company's battle and a united board behind purpose).	3	6
Common understanding in the board	At board level, a common understanding of purpose is needed.	2	2
Control over management	The exercise of monitoring as a governance contingency in support of purpose.	1	1
Deep induction	An ongoing process of induction for new and old board members.	18	19
Deep-dive Sessions	Deep-dive sessions around formal board meetings as conducive to director engagement (they get them thinking-learning etc.).	2	2
Direct access to the board	Purpose-related issues (sustainability, ESG etc) require directors to have direct access to the board (link to committees/advisory where expertise in those area is available).	17	21
Director engagement is possible in both	In relation to public and private ownership.	16	19
Disclosure, transparency	Disclosure, transparency about corporate activities (and board	14	20

	activities) within and outside the board as an important contingency for director engagement.		
Diversity	A diverse mix of directors as an important governance contingency affecting engagement.	15	26
Due diligence in place	Due diligence of issues of purpose (human rights, sustainability, health and safety etc.) affects engagement. Due diligence procedures need to be complemented by clear escalation procedures at board level (who is ultimately responsible at board level?).	1	1
Engagement with investors	Engagement with investors (typically by the chair) as a core governance mechanism for director engagement as long as the chair shares feedback with directors/board, so that directors/board are exposed to the ongoing dialogue with investors.	20	36
Engagement with stakeholders	A formal and coordinated approach to engagement with stakeholders at director level as an important contingency for engagement (trends-requirements- issues-pulse of what is going on).	3	11
Equitable treatment of investors	As a principle and a governance activity belonging to the board. Contingency for director engagement (also a limitation as to how dialogue with investors can take place).	1	1
ESG risks and opportunities	ESG as a governance topic at board level and a contingency for director engagement, as ESG issues relate to dimensions of purpose.	18	18
Explicit topics discussed in the board	Making the topic of purpose explicit in board discussions is seen as a contingency facilitating engagement.	1	1
Formal structures around sustainability and ESG	Structures formalising purpose and its dimensions.	16	20
Four pillars of corporate governance	Four pillars of governance (OECD 1998) (transparency, responsibility,	1	1

	accountability and fairness) as contingencies for engagement.		
Frequency of meetings	How often directors meet for board meetings, seminars and other occasions. The frequency of meeting is conducive to engagement as directors are exposed-discuss-make decisions.	2	2
Generalists have a hard time going beyond financials	Topics beyond financials are not understood/no willingness to engage/discuss (traditional financial background).	16	17
Governance as a service	A shared view of what governance is for, namely a service to the company, as a factor affecting director engagement. Focus on added value.	2	3
Governance structure	Engagement with purpose requires a governance structure that supports sustainable value creation.	1	1
Heavily regulated industries felt the heat earlier than others	In relation to directors focussing on purpose, becoming clear about what it is and engaging.	13	16
I talk strategy and mega trends	In relation to investor engagement activities.	6	5
I talk to large and small investors, including single digits ones	Small investors are also seen as targets of engagement for the Chair.	6	8
In public ownership you have different tensions	Mainly relating to time horizons and strategic direction.	17	22
Investor relations	Relationships with investors as a key governance contingency affecting engagement at director level.	4	4
Investors	Investors as a governance contingency influencing engagement (in particular not having access to capital and/or to the right investors for the firm's purpose).	1	1
It is industry neutral in a way	In relation to purpose being important to all industries.	16	23
It is intrinsic in the nature of any industry that serves humanity	As above.	9	11.

It needs the top, it needs directors	Directors and top level as a necessary governance contingency/mechanism influencing engagement.	1	1
KPIs, clear targets and measurements	As a governance contingency affecting engagement ("what gets measured gets done"). Lack of measurements/standards for issues related to purpose hinders engagement.	5	8
Listed and family ownership	Engagement is seen as possible in both ownership structures however the set of challenges they pose is different. Ownership not as a "given" organisational contingency, rather ownership as a governance contingency that directors (chair) need to proactively manage.	15	34
Media	The media needs to be managed to support engagement and purpose-driven corporations.	6	7
Non-conventional boards	In relation to what is needed to drive purpose, boards moving beyond monitoring, and equipped to drive sustainable value creation.	1	1
Objective setting	A core, mandated duty of the board and a governance contingency affecting engagement.	1	2
Obligation to be transparent	In reference to executive compensation reporting obligations, as conducive to engagement. Opt-in for sustainability (rather than a legal obligation) supports engagement by conformity, if at all.	2	2
Open board discussions	Open and transparent board discussions are conducive to engagement.	1	1
Performance management as a nervous system	A view of performance management as going beyond traditional approaches, sensing risks and opportunities.	1	1
Policies and procedures	Policies and procedures set by the board need to supporti a shared understanding of purpose, to eventually be conducive to engagement.	3	5
Political influence	Political influence of the board (or of certain individuals on the board),	1	1

	can help to influence the regulatory environment and make it conducive/supportive of purpose, hence potentially conducive to engagement.		
Pressure to perform	Pressure to perform coming from the board to CEO and C-level. Also pressure to perform from investors.	1	2
Private owners can be the best and the worst	In regard to difficulties to make engagement happen in private firms.	15	20
Proactive, regular communication and meetings with investors	Led by the chair and strategic in nature.	18	11
Proxy advisors	Proxy advisors seen as a governance mechanism (since they influence investors). They can be counterproductive for engagement (as they promote a tick the box approach to engagement as compliance).	8	17
Purpose cuts across all industries	Purpose matters to all industries and sectors.	19	23
Purpose embedded in board discussions	If purpose becomes the fil rouge of board discussions, then it can become a governance contingency conducive to engagement.	1	2
Recruitment of directors	Director selection as a critical contingency to engagement.	24	28
Regulation and fear of regulation	Existing regulation or fear of future regulation as a factor affecting/triggering engagement.	2	5
Replacing directors	Replacing directors not aligned with the shared values at board and company level and/or not displaying engagement, seen as a necessary governance mechanism both by investors (who need to vote against their re-election) and by directors (chair) (who need to ask them not to stand for re-election).	19	22
Reporting	Reporting as an important governance contingency potentially conducive to engagement, under certain conditions: longer reporting timelines, reporting on	12	19

	sustainability in numbers (as if it remains a conformity-compliance exercise it does not serve engagement), integrated reporting, annual reviews, depth of reporting etc.		
Results need to be there	Performance allows the discussion on longer horizons to happen ("earn the right to long term").	1	1
Roadshows with investors	The chair leading strategic roadshows with investors as a key governance contingency conducive to director engagement.	12	19
Second opinion on sustainability topics	The possibility to reach out to experts for topics directors do not they have enough understanding.	1	1
Selection of CEO and executive remuneration	Selecting the right CEO to drive operations (and embedding purpose into the business).	1	1
Selection of directors	How the board selects directors is seen as key to engagement. Also reference to the use of executive search professionals.	20	50
Shareholder-stakeholder value	How the board perceives these concepts affects director engagement.	2	3
Shareholders keep electing these people who stay on the board without any engagement.	Investors, as key governance actors, have a role to play in director engagement. The election and re-election of directors despite their lack of engagement is counterproductive.	1	1
Signing up for the same purpose	In relation to investors and directors being aligned around purpose.	1	1
Some industries feel more pressure from millennials	In relation to millennial activism and/or societal interest and scrutiny on certain industries.	19	23
Stakeholder board	An advisory or stakeholder board composed of experts bringing to bear their specific knowledge on sustainability and available to support board knowledge. Conducive to engagement.	1	4
Stepping on CEO's toes	The tension between director engagement (particularly chair) and overstepping the mark in terms of CEO responsibility.	1	2

Strategic discussions and their outcomes	Strategy as a governance mechanisms supporting engagement.	4	5
Strategy	Strategy as a core board duty, serving as a governance mechanism in support of director engagement.	13	21
Structure around purpose	Defining and implementing an organisational structure around purpose is conducive to engagement (in and outside the board). A governance contingency as the board is in charge of organising the structure of company's affairs.	17	20
Sustainability Advisory Board	An advisory board to the board (with members including external experts, the chair, possibly the CEO) as a source of advice and knowledge on all dimensions of purpose (economic, social , environmental). Seen as a factor in support of director engagement.	1	1
Sustainability strategy	As stand-alone board topic that can be both conducive to and hindering engagement (as it indicates that the topic of purpose is not rooted into core business).	2	2
The argument does not hold	In relation to the fact that engagement in listed companies is supposed to be more difficult that in private firms.	17	20
The board and its directors are the most influential mechanism	In relation to how they can influence engagement and the development of purpose driven corporations.	1	1
The board is much closer to the executive team	A governance contingency supportive of director engagement (staying close to those who operate the business).	2	4
The chair runs regular, strategic meetings with investors, globally	In the form of roadshows, chair's roundtables or meetings.	23	18
The main shareholder sets strategic goals	The board as the receiving end of strategic goal setting, with little input-discussion. Seen as not conducive to engagement with purpose as a corporate development activity.	1	1

The tone at the top	As an important contingency for engagement to happen.	2	2
The spirit, the culture of the company	An organisational contingency shaping engagement.	18	21
They need to go	Directors displaying lack of alignment with the values of the board-company and with the shared understanding directorial and board roles, need to leave the board.	1	1
Track record	The company, chair and board track record in terms of performance as conducive to director engagement.	1	1
Tracking mechanism	Boards setting tracking procedures on goals they set themselves and management, and the sharing of such mechanisms with investors. Seen as a governance factor conducive to engagement.	1	1
Transparency on board performance and evaluation	As an important governance contingency affecting engagement.	2	2
Use of head-hunters	The use of board search professionals for director selection is questioned. Potentially not conducive to engagement (wrong people come on board). It should be complemented by other practices (board network and observation of candidates in action over extended periods of time).	3	5
Values, culture of the company	Directorial values need to align with company values, or culture .	21	26
Values in governance	Values in governance as an important topic. A common view as to what is desirable/right/wrong/not tolerated etc. Conducive to engagement if directors share and live those values.	4	5
War for board talent	In relation to a war for board talent. Remaining competitive as a board to attract directors is viewed as an important contingency affecting engagement (to remain attractive for candidates they need to engage and make their engagement visible).	18	20

What counts is the chair, director values and behaviour	Key aspects for engagement (as opposed to type of ownership, public or private).	23	26
Who is in charge	Clarity of responsibilities at board level is often missing, and is viewed as not supportive of engagement.	22	23
INSTITUTIONAL INVESTORS	How investor stewardship affects director engagement.	0	0
360 degree view on boards and companies	Investors need a 360 degree view on the board, the chair and the CEO, yet it is difficult to develop it without deep and continued engagement.	13	14
A long-term view means trade-offs	Long-term investors are those prepared to accept trade-offs.	17	21
A whole variety of investors	Directors face heterogeneous investor types, aims/goals, time horizons, knowledge (of investee companies and ESG), which can have significant consequences on their alignment on purpose and its trade-offs.	26	90
Actions and words	The extent to which investors actions follow their words.	9	17
Activist shareholders	These actors have always existed and nowadays have a following from other institutional investors.	14	18
Analysts	The analyst community is an important stakeholder not only for investors but also for boards (chairs in particular who need to engage with them).	1	1
Annual General Meeting	How it unfolds and how it is perceived (role).	12	15
Attack	An example of investors who preached long-term goals, yet delivered a fierce attack to the board and the company, showing they were all about maximising returns in the shortest time.	1	4
Best-in-class investment approach	Best-in-class approach to sustainable investing means investing in companies leaders in their sector in terms of meeting environmental, social and governance criteria. Best-in-class helps stimulate competition among companies for inclusion in the	1	1

	indices. The value of those indices for director engagement remains questionable.		
Box tickers	In relation to some investors raising questions about ESG as tick the box, compliance exercise as opposed to the exercise of stewardship as a responsible investment strategy.	3	3
Buying the story	Investors need to buy into the story of a company.	11	21
Care and act accordingly	Behavioural integrity is needed.	16	17
Confrontational	Some Swiss investors have a very confrontational approach, “against the board by definition”, in principle. Such attitude and behaviour is not seen as conducive to director engagement or stewardship.	3	3
Different investors	Boards face different investors (types-aims-goals-agendas, knowledge).	3	8
Director reaction	How directors perceive the influence-pressure from some institutional investors on ESG issues.	23	70
Do investors really care	Directors question whether investors do care about ESG issues.	2	2
Either we trust or we don't	Investor trust in the directors of invested companies. A pre-requisite for value creation.	1	2
Engagement report	An example of a “small” investor with an in-depth, engagement report, regularly published and conducive to engagement.	1	2
ESG materiality	How investors view ESG topics and the importance they assign to them (change from the past).	24	94
ESG as long-lasting trend	ESG issues are becoming core to investors decision making.	4	4
ESG consulting	An ESG consulting industry has developed around the lack of understanding of the topics (by investors and companies).	2	3
ESG ratings and rating agencies	Example of what ESG rating agencies do, and how they are	1	6

	viewed by investors (and directors). Not conducive to director engagement. They display a superficial understanding of the companies they rate.		
ESG was a marketing exercise	It no longer is.	1	1
ESG offers job opportunities	ESG offers job opportunities and is attracting people from the investor /asset management.	2	3
Financial and non-financial matters	Views of ESG as non-financial is not conducive to director engagement as they remain parked as non-core business, an “add on”, while they are financially relevant.	4	9
Good stewardship is increasingly important	Stewardship is viewed as important to engagement by all sets of participants.	39	39
Hard approach	As opposed to the “soft power approach”. “Hard approach” referring to small investors pooling shares and entering coalitions adopting a hard approach towards boards.	1	2
How we pick companies	Investor engagement targets vary, from problematic investee companies to topic-based selection (fiscal responsibility, cybersecurity, diversity etc.).	3	4
If they are generalists they have a hard time understanding other aspects of value creation other than P&L.	In relation to the issue of investors who are generalist asset managers, strong on valuations, P&L etc. but lacking an in-depth understanding of industries and other dimensions of value creation.	1	1
Investor engagement with companies	How investor activism comes to life via investor engagement.	28	90
Investor influence-pressure	The dynamics of influence and pressure exercised by investors on boards and directors. Perceptions range from a nuisance (minority of participants) to healthy pressure.	24	51
Investor knowledge	How knowledgeable investors are of the company, its strategy, industry etc.	8	13
Investor pressure us, they want to know	Pressure-influence to know more about the company.	7	11

Investor responsibility	Core, fiduciary investor duty is protecting and enhancing asset value.	1	1
Investors do not have one view	In relation to investors having different views on purpose, companies, value, how value is created (and in which timelines).	1	1
Investors have changed	A long term dimension of investment decisions has entered the scene (it was not there two decades ago).	1	1
Investors not interested in ESG	Some investors are not interested in ESG, and do not consider these issues as worthy of their time.	2	2
Is this an organisation that is producing or destroying value	Investors' questions boil down to this core concern.	1	1
Knowledgeable	In relation to small investors and how knowledgeable they can be about their investee companies.	12	15
Lack of knowledge	Many investor lack in-depth knowledge of their investee companies and/or their analysis of annual reports is superficial and without primary data sources.	23	27
Long-term	How investors understand "long term" varies: 3-5-20-100 years. For some, long term value creation is in their mandate.	3	4
Many investors do not do what they say	Directors worry about investors not walking the talk.	18	23
Not knowing your shareholders	Large companies can be blind as to who their shareholders are, indication that the board has attracted traders (not supportive of engagement).	1	1
Pension funds ask a lot of questions on ESG	Increased questioning on ESG.	1	1
Professional image	In relation to the perceived professionalism of "smaller" investors.	12	15
Professional investors	Perceptions of increased professionalism of some investors. Professional-professionalism as the extent to which an investor identifies with his/her profession and accepts its values (Maister 1997; Morgan Roberts 2005).	1	2

Proxies are box tickers	A common view among all participants.	39	57
Proxy advisors	How investors use proxies' services and their changing role in investment decisions/voting. The general view is that they remain box tickers.	11	22
Push for transparency - disclosure	Investors increasingly demand transparency and disclosure. For many, the topics revolve around "structure" (compensation, independence, gender diversity, conflicts of interest).	2	2
Raising issues in the media	Investors using media to create a momentum around issues to their own immediate benefit. Possibly detrimental to engagement as corporate development.	1	1
Relationships with investors is still something	Nurturing personal relationships with investors as an important component of directors engagement.	1	3
Shareholders start a dialogue	There is evidence that investors go beyond the AGM to engage with directors.	3	5
Signing up for the same purpose	The importance of investors and directors committing to the same purpose. Otherwise "it is a constant battle".	1	1
Smaller shareholders	Smaller investors can be highly engaged with investee companies. Investor or investment size do not seem to matter in regard to engagement. Approach and topic matter, to get directorial attention.	11	23
Stewardship is trying to enable constructive dialogue	Views of investor stewardship and its aims. From creating sustainable value to maximising returns. With stewardship duties come investor rights to raise issues, to engage, to demand more disclosure etc.	6	19
Sustainable investment	Investors want to invest sustainably, however directors (chairs in	4	7

	particular) need to pick and choose what they discuss with whom.		
They are credible, although they are small	Investor size does not impact credibility (of stewardship through engagement).	14	17
Their declaration on ESG	ESG declarations versus actions.	10	13
They do not talk to us	Directors report no requests for dialogues from proxies and only few directors have reached out to them.	12	22
They do not do what they preach	Investor behavioural integrity is questioned.	11	13
They have different incentives	In relation to how investors are incentivised.	9	11
They have huge influence on investors and regulators	In relation to what participants describe as a worrying influence of proxy advisors.	26	33
They follow proxies	In relation to investors following proxies in their voting decisions at the AGM.	18	20
They rely on the services of proxies	Many investors depend on proxies for research and voting.	24	28
They talk a lot but actions do not follow	Behavioural integrity is often missing.	18	20
The endgame of stewardship remains value, maximising returns	Stewardship is about *value* maximisation (not values).	28	31
The overall envelope is delivering financial returns	Stewardship (and investor engagement) are about *value* (not values).	6	12
There are no globally accepted ESG standards	The lack of ESG standards creates a problem for investor stewardship (understanding, knowledge, measurement, reporting, comparing etc.).	3	3
They have different incentives	Heterogeneity of incentives (and motives) driving investor behaviour (short-long term).	19	21
Three investor fiduciary duties	Risk-return-impact, in the words of investors.	1	1
Traditional investor questions	Typically, investors questions revolved around structure, organisation and targets. This has changed.	1	1
Use of soft power, constructive approach	Smaller investors are more effective if they adopt a soft approach rather	11	13

	than a confrontation with the chair or other directors.		
We speak to them. They rarely understand what we do	Few directors have proactively reached out to proxies …to discover that they know very little about the company.	12	14
What investors are looking at	How investors screen the market in search for companies to invest in. From active to passive approaches (minimum compliance).	5	7
What investors want	A wide spectrum of questions and goals investors are after (hence their engagement). From a digital charter or basic sustainability report, to very detailed explanations of how sustainable value creation is delivered.	4	6
What matters less is size	Approach, insight and knowledge are key in stewardship.	18	23
Whom investors engage with	A variety of individuals in investee companies represent engagement partners (with consequences on the type of engagement work set in motion): from directors (chair and C-level), to functional heads and below.	4	21
MEMORABLE QUOTES	A selection of memorable quotes from participants.	22	79
ORGANISATIONAL CONTINGENCIES	The set of organisational factors most affecting director engagement.	0	0
Industry	How industry matters in regard to director engagement. Purpose matters across all industries.	27	76
Organisational values	Alignment on values is important for engagement to happen.	1	1
Spirit-culture of the company	As a driver of director engagement.	4	5
Values of the company	The set of values that characterise the company.	2	2
Some industries began earlier than others	Under regulation or consumer-societal changes (millennials), but nowadays purpose matters across the board.	15	22
OUTCOMES	Reported outcomes of director engagement with corporate purpose.	6	11
A theme of our world	Purpose and engagement as a theme of society (linked to institutionalisation of purpose).	14	19

An important step to get there	In relation to how director engagement links to the institutionalisation of corporate purpose.	9	11
Barriers	In relation to a set of barriers to engagement at board level.	20	23
Board engagement	Engagement at board level as a potential outcome of individual director engagement.	2	2
Board power to make a difference	Making a difference is relevant to individual director as well as board engagement.	17	23
Branding	Brand loyalty, equity etc. as potential outcomes of engagement with purpose.	1	1
Deliberately institutionalise purpose	An outcome of director engagement.	11	11
Directors need to work together to deliver purpose	Group-level teamwork is needed to deliver sustainable value creation.	23	34
Earning trust	Earning trust from stakeholders as a possible outcome of director engagement.	2	3
Engagement of the board	As a potential outcome of director engagement, and a condition for corporations to create value for society as well as investors.	26	29
Institutionalise purpose	Through director, board, management, employee engagement purpose can become institutionalised.	17	22
Power to make a difference	In relation to the type of power needed at individual directors as well as board level.	23	27
Purpose-driven corporations	The development of purpose-driven corporations as a potential outcome of director engagement with purpose.	11	20
Purpose shapes reputation	In relation to how engagement contributes to personal and business reputation.	18	21
Purpose will have a significant impact on society, business, investment and regulation	In relation to the institutionalisation of purpose and its significance.	18	23
Reputation -	Director engagement can positively shape the image and reputation of the company.	4	7

The endgame is trust that as directors and as company we need to earn	Trust as one potential outcome of director engagement.	19	23
With engagement we build trust and reputation	Trust and reputation as potential outcomes of engagement.	11	12
TENSIONS	A set of tensions around director engagement and investor stewardship.	0	0
Choose the short-term that fits your long-term	In relation to proactivity and choice of how short-term will lead to the chosen long term.	17	20
Directors behaving myopically	In relation to the danger of sacrificing long-term for short-term performance	24	25
Earn the right to long term	In relation to how short and long-term relate to each other.	17	23
Human nature	La *condition humaine.*	26	33
I am long term but I am short term too	In relation to how chairs view the short-term/long-term tension	8	15
Many tensions and conflicts	Directors face many tensions and conflicts.	1	1
Short-term and long-term	One of the conflicts of our century, however sustainable value creation has both short and long-term dimensions. Hence purpose could be a way out of this conflict.	24	66
Short-term impulses can be managed, if you wish to	Directors have a choice in regard to containing the effect of human nature (tendency towards short term results).	28	29
You are robbing your long term future	One effect of making myopic decisions not conducive to long-term value creation.	15	18
You run the company well when your short-term leads to your future	In relation to what directors strive for.	20	22

Appendix 9. Out of Scope Issues

Note: parent nodes are listed in alphabetical order.

Parent Node	Issue	Description	Out of Scope Justification
Corporate Purpose	Measurement	Possible ways to measure purpose as value creation.	This thesis is about perceptions of corporate purpose and engagement. Measuring purpose is not directly related.
	Sustainable development	How corporate purpose may relate to sustainable development at local, regional of country level.	Examining the link between the two would require a different study and is not relevant to the research questions.
	Value distribution	How value is distributed among stakeholders.	Value distribution is not relevant to answer the research questions, yet it represents an important issue related to the creation of value (purpose).
	What is value	How value is understood (debatable).	What constitutes value is subjective, contextual and the object of academic/practitioner debate, yet not relevant to answer the research questions.
Directorial Contingencies	Women are more selective	In reference to their motivation to serve on boards, particularly the importance of whether they like how the company/board are run. Gender as a contingency for engagement.	Whether gender plays a role in director engagement is not directly related to answering the research questions. It is however a potential issue to be investigated in future studies.
	Women care more	Women care more about purpose. Gender as a directorial contingency?	

Governance Contingencies	Dual class shares	A worrying development that is taking place.	Dual class shares alter the voting and power balance among shareholders and help certain investors(typically founders) to retain control. This structure represents an actual and relevant topic for directors and investors, and has been found to be a governance weakness (Adnan 2019), however it is not directly in the scope of this thesis. Future studies could examine this share structure in relation to director engagement.
Future Developments	Impact of technology on society	Together with opportunities, technological development will bring job cuts, unemployment, issues for the pension system.	Although the fourth industrial revolution is relevant to corporate governance and how value is created, it is not directly relevant to answering the research questions of this study.
	Purpose of capital	There is a need to tackle the broader question of the purpose of capital and situate the debate on purpose and purpose-driven corporations within the broader issue of the purpose of capital.	It is important it is to place the debate on purpose, purpose-driven corporations and investor stewardship in the wider debate of the purpose of capital, however this remains outside the scope of this thesis and the search for answers to its research questions.

Appendix 10. Selected Representative Quotations - Out-of-Scope Issues

Value Measurement

A chair described how he teamed up with a university to measure how the company delivers economic value, how this measurement became a standard in the industry, and how the chair had to overcome investors' initial resistance, eventually winning them over. In the chair's words:

We actually developed with two university professors a measurement of the economic value we generate for society and for investors, which we believe matches more closely the duration of our activity. Because our activity doesn't go from one year to the other. You don't open and close the book, right? Out of this economic value measurement we're able to tell our shareholders and society how much value we created, based on the capital invested in us. We are very proud of the methodology. So, you know, I have a very concrete, tangible number answer to the question of measuring value creation. It tells you how much we care about it…because we developed our own internal accounting to measure it. It's a really quantitative, measured way and actually, other companies endorsed what we have developed, including the regulator and insurance now has developed a framework to measure capital, which actually, is what we have developed. So, we were able to explain, to share all experience in this value creation measurement by getting academics to help us, and investors and regulators on board.(Chair, outsider-business expert)

Purpose of Capital

As scholars argue (Mayer, Wright &Phan 2017; Phan, Siegel & Wright 2016), a chair explained how important it is to situate the debate on purpose, engagement and stewardship in the wider debate of the purpose of capital:

I think that for us, as a company, sustainable value generation goes hand in hand with what is the purpose of capital, and I think that we as a company… we have to find our place as well in that conversation. I think that our capital model is changing and this gives us a unique opportunity to take those changes now, build in the sustainable thinking and generate long term capital returns with a purpose. They can be lower return, could be, I do not know yet but I think we need to attack it from various angles, but without actually having a talk around the purpose of capital and our systems which has served us now for 40-60 years, without that discussion we cannot kind of come up with the right framework on the sustainable value creation and corporations driven by that purpose.(Chair, outsider-business-expert).

Dual Class Shares

Although dual class shares allow founders and/or companies to go public and access capital while maintaining control of the company (Forst, Hettler & Barniv 2019), a director expressed concern about most recent developments:

Again, an age-old principle enshrined by the OECD, you know, many years ago, of equal treatment of shareholders is in danger. I think there are a lot of disappointing developments here, if I can put it that way, with the increasing prevalence of dual-class shares, that's really *worrying. Yes it allows a company to retain control, but at the same time it creates unequal voting power that can damage a company with endless battles and block your strategic development. It is worrying, very worrying.*(Director, outsider-support specialist)

Recent announcements of online scrapbooking firm Pinterest and ride-sharing Lyft issuing dual class shares are evidence that this share structure is a topic for directors and investors, and has been found to be an indicator of governance weakness (Angest 2019).