Liminality, purpose, and psychological ownership: Board decision practices as a route to stewardship

Donald Nordberg

Bournemouth University Business School

Forthcoming in Marnet, O. (2022). *Handbook on Corporate Board Decision Making*, Edward Elgar

Abstract: The pursuit of director stewardship and its goal of corporate purpose of long-term social value face an obstacle to commitment: the liminality of directors. Non-executive directors sit permanently on the threshold of the organisation, where executive directors are expected to join them. Liminality is thought to entail freedom from hierarchy and creative space – the service role of boards. But that clashes with a board agenda increasingly weighted towards compliance – its control role. Through a series of thought experiments, fictional cases drawn from real life experiences, this chapter explores how the collective engagement of directors in decision practices can induce the development of commitment and psychological ownership that stewardship requires.

Keywords: Liminality, stewardship, corporate purpose, board decision practices

Introduction

Boards sit at the apex of the organisation. Through their collective decision-making, directors take legal responsibility for the outcomes and the processes. And when things go seriously wrong, someone is sure to ask: “Where was the board?” (MacAvoy, 2003). But the individuals who sit on corporate boards sit outside the day-to-day flows of information required for evidence-based decision-making and separated from the insights to be gathered from the nuances of corporate culture. Moreover, many are only involved part-time with the business. That brings benefits, of course, but it also raises questions about their commitment to collective aims. In unitary boards, where executives sit alongside the outside, non-executives, those executives are asked in law and codes of conduct to set internal allegiances aside when working on board business. That is, directors – especially but not only the non-executives – are liminal actors in the workings of corporations, neither inside nor outside. They perch on the threshold between the organisation and the outside world of shareholders and stakeholders. When important issues require decisions, how do these outside-insiders, or inside-outsiders decide, with what degree of commitment, and with what sense of purpose? Under these circumstances, in what ways is director stewardship likely to emerge?

This chapter explores those questions through examination of prior studies of board decisions, insights from corporate directors gathered informally over long periods in different settings and countries, and board experiences of the author. It draws on theoretical perspectives

in anthropology, sociology, and social psychology, which provide different perspectives from those of economics-led writing on corporate governance. Doing so lets us glimpse a director's eye-view, in which "agency" refers to the latitude directors have and the discretion they exercise (Sewell, 1992), rather than to the "problem" posited in agency theory (Dalton, Hitt, Certo, & Dalton, 2007; Fama & Jensen, 1983). That can involve setting aside structures of control and mechanisms designed to enhance corporate governance to create opportunities in which director commitment can arise, and with them the possibility of stewardship.

We begin by examining ideas of corporate purpose and director stewardship, and what liminality and commitment entail. We will then examine how these concepts manifest in types of major decisions that organisations face: mergers and acquisitions, recruitment and remuneration of senior executives, financial decisions, and questions of how to govern during crises. These cases of concern different organisation types: private, for-profit businesses or those listed on public markets, and not-for-profits. The chapter develops a framework for analysing routes to stewardship and concludes by examining the research questions that arise. We will also speculate on why board decision-making often fails, sometimes with catastrophic consequences for the constituencies with which the board interacts, and for the directors themselves.

Purpose, stewardship

In the middle 2019, a decade after the worst financial crisis since the Great Depression of the 1930s and half a year before the covid-19 pandemic turned the world of organisations upside down, an important US business lobbying organisation announced a seemingly sweeping change in direction. The Business Roundtable, a club of CEOs of listed companies, orchestrated a statement from its members. No longer would they set their goals by the principle of shareholder value or accept the primacy of shareholders in guiding their decisions (Business Roundtable, 2019). Its message echoed one delivered 18 months earlier by the chairman of the largest asset management firm in the world, that is, the world's largest shareholder (Fink, 2018). Instead, decisions would be guided towards creating value for a wide range of stakeholders. These statements crystallised a line of thought that had been building across large swathes of opinion, for some under the banner of "CSR", or corporate social responsibility; for others as "ESG", environmental, social and governance concerns; for others still as "sustainability". The Business Roundtable proclamation was billed as a call for a re-orientation of decision-making and the attitudes that directors bring to the task. It sought a fresh sort of answer to the question: What is a company – what is *this* company – for?

In conventional thinking, if shareholder primacy is the guiding principle – and if shareholders see "value" as the sum of capital gains and monies returned (Rappaport, 1986) – then board decisions should maximise return on investment, with the principal levers of growth and profitability above the cost of capital. Under modern portfolio theory (MPT), board decisions should accept any project that met those criteria and reject any that did not. With Business Roundtable's manifesto on corporate purpose, were directors to understand that MPT was officially eMPTy? If so, what other criteria should apply? Or was this statement little more than an attempt to deflect criticism? If directors have accountability to a range of stakeholders, they may play the needs of one point of accountability against the others. In doing so, they may exhibit accountability to none (Bebchuk, 2020).

Business Roundtable's acceptance of this change of purpose has not been universally accepted, even among academics who consider themselves advocates for social responsibility and adherents to stakeholder theory (e.g. Edmans, 2011, 2020). If shareholders tend to take a short-term view of returns, does that mean that corporations will respond with decisions that favour short-term gains at the expense of long-term value? There is evidence for such a conclusion, not least that the growing presence of "transient" investors is often followed by reductions in spending on research and development and a short-lived boost to share prices, followed by a subsequent decline (Cremers, Pareek, & Sautner, 2020). But there is also evidence that activism focusing on strategic change, including by hedge funds, can lead to sustained improvement in performance even if followed by the activists' exit soon after the decision to change is announced (Bebchuk, Brav, & Wei, 2015; Becht, Franks, Grant, & Wagner, 2015). Moreover, the dramatic growth in investment in ESG funds offered by mainstream asset management firms shows a growing appetite for something other than narrowly defined ideas about shareholder value. These observations suggest ways in which corporate purpose might align with a shareholder-centric notion of accountability. If so, then the remedies of agency theory, which include monitoring and control of executives as well as incentives to align with shareholder interest, might indeed have some merit.

If the purpose of the organisation is to create value – for whomever – and to continue to do so for the long term, then the organisation requires decisions to be made by people acting for the long-term good of the organisation, that is, to be stewards. Stewardship theory, however, suggests processes and practices that are the polar opposites of those in agency theory (Davis, Schoorman, & Donaldson, 1997). In agency theory, managers are assumed to be self-interested economic actors. Stewards are temperamentally other-regarding not self-regarding, self-actualising not self-aggrandising. They give priority to the collective. They thrive on trust and respond with service; they rebel against monitoring and control. Moreover, stewards demonstrate cognitive alignment and emotional attachment (Hernandez, 2012); these are the ingredients of psychological ownership (Pierce, Kostova, & Dirks, 2001) of corporate purpose. Stewards take that stance even in absence of legal ownership of corporate equity.

It can be argued, therefore, that individual stewards relegate personal reward for corporate purpose. Through their activities, they pursue intrinsic goods, the exercise of what Aristotle (1962) called the virtue of *phrónēsis*, often translated as the practical wisdom. But they are also guided by "generosity and self-control", that is, moral virtues "formed by habit" (pp. 32, 33). Like Aristotle, the contemporary moral theorist Alasdair MacIntyre (2007) sees practical wisdom, exemplified by the artist, arising through repeated practice, though he is famously sceptical of whether practices associated with management can be virtues as they are based in the pursuit of extrinsic rewards. Sinnicks (2014, p. 236), however, argues that managerial disciplines, rather than overall management, do have that character, adding: "Employees may initially require supervision and direction before they are eventually able to understand the [internal] goods present in their roles" (see also Newton, 1992). Practice, in pursuit of excellence, makes virtuous.

These are manager- and employee-centric arguments. Translating such stewardship to the boardroom may seem obvious, but it is not so simple. Directors oversee the work of managers, some of whom are stewards, proud of the work they do, the company and its products and services. Moreover, success in business sometimes comes from being self-interested and

having that self-interest aligned with the interests of owners. Such alignment is what we see in early-stage, entrepreneurial enterprises, when venture capital backs acceleration of development of the business (Filatotchev, Toms, & Wright, 2006). But the needs may change as businesses mature, list on stock exchanges, and alter their financial structures. Then imperatives for governance shift to a more hierarchical form of accountability to distant and more fragmented owners.

Boards, as the first line of governance, need to adapt to those changing circumstances. Moreover, numerous writers see the work of the board as involving two often conflicting roles: service and control (Åberg, Bankewitz, & Knockaert, 2019; Hillman & Dalziel, 2003; Zahra & Pearce, 1989). Moreover, some scholars argue that these roles are even more distinct, as they are driven by different theoretical mechanisms (Mooney, Brown, & Ward, 2021). Doing both at the same time requires stewards, at the risk of pursuing one over the other. However, as we shall see, many strategic decisions arise in contexts that play both roles at the same time and with the same action. Moreover, boards need to do so under conditions of incomplete information about the past and uncertainty about the future, which seems to point towards a) a need for commitment to the organisation, engendered through cognitive and affective engagement with its overriding purpose, and b) achieving that while maintaining the detachment associated with sitting perpetually on the threshold.

Liminality, commitment, and 'ownership'

With unitary boards modelled on British and American practice, non-executive directors sit with one foot inside and with one foot outside.[1] Their roles grant them access to confidential internal information, while their external orientation provides different perspective of the business environment. However, by standing outside for much of their time, they are also cut off from internal networks and can remain uninitiated in the nuances of how the business works. By contrast, executives on the board are insiders, deeply steeped in its internal workings and culture. But when acting as directors they are asked, often in law, to set aside internal allegiances and join the non-executives on that threshold.

In the dual board systems common in continental European companies, or in single but entirely non-executive boards we often see in charities, the ultimate decision-makers may have no full-time role with the company and yet bear personal liability for their decisions. As outsiders, directors thus face a psychological impediment to developing the sense of commitment. In short, their work is liminal.

Moreover, the place of board work can signify liminality. In practical terms, boardrooms are often separated from the everyday experience of employees. Boardrooms have physical barriers that separate them from everyday experience. They are filled with special furniture as well, giving a symbolic meaning to both the occupants and the those not entitled to use them. As a consequence, boardrooms, both physically and psychologically, are often sacred spaces, controlled by remote, supposedly wise men and women who engage in rituals often alien to

[1] NB: With adoption of its code of corporate governance in 2016, Japan has joined the jurisdictions where such unitary boards, including non-executive (or outside) directors alongside executives (Hiura & Ishikawa, 2016), a retreat from the all-executive boards that had been commonplace.

the ordinary affairs of the corporation. Is there something in the process, the ritual practices and symbolic meaning of place that allows liminality to achieve a deeper sense of belonging?

The liminal

The concept of liminality entered discussions of management from an unlikely source. A half century ago, the anthropologist Victor Turner studied rites of passage for boys in tribal settings. Building on earlier findings of van Gennep (1909/2013), he observed that in a variety of societies, boys were introduced to manhood through rituals that involved entering a sacred place. In these repeated practices, each boy encounters adult males, often in costume, who engage in ritualised play, creative indulgences that gradually introduce the adolescents to adult ways and recognition of social structures (Turner, 1977). Step by step, they learn the lessons needed to engage in the protection and governance of society. Crucial to the exercise is the child-like lack of hierarchy at the start of the process, which gradually fades as lessons are learned. At the end, the initiand takes an appropriate position in the social structure and develops commitment to place society's needs ahead of personal desires.

The concept of using such liminal spaces have been used in management studies (Söderlund & Borg, 2018) to describe induction of new employees (Guimarães-Costa & Pina e Cunha, 2013), those working on temporary contracts (Garsten, 1999), entrepreneurs trying to break into the corporate world (Gartner & Shane, 1995), foreign managers (Guimarães-Costa & Pina e Cunha, 2009), and status of doctoral students on the threshold of academic careers (Gatfield, 2005). Management consultants and professionals (e.g. auditors and legal counsel) seem to engage in permanent, rather than transitional, liminality (Czarniawska & Mazza, 2003). Informality is also important, and so such activities often take place not in the controlled place of headquarters, where hierarchy reigns, but in some other, separate and freer space – a hotel or conference venue, a pub – where dress codes may be relaxed, and hierarchies can be set aside.

This discussion adopts the terminology of "space" and "place" as used by de Certeau (1984), in which "place" signifies a physical setting that is controlled by a larger force and thus controls the behaviour of those who occupy it. For Certeau, "space" is open, unconquered territory, where the rules are laws of nature, not socially constructed constraints. Hjorth (2004) develops this idea in connection with entrepreneurship and creativity, seeing entrepreneurs as those often cast out of the places occupied by corporations. These entrepreneurs then seek to carve out their own place from unoccupied space. "Place" and "space" thus have symbolic as well as physical significance. In contemporary practice, this vocabulary and these concepts apply now to abstractions, including now dematerialised marketplaces, like stock exchanges, and the more playful and open online "marketspaces" (Ozuem, Howell, & Lancaster, 2008).

Boards are, at least notionally, non-hierarchal. To be sure, the chair and committee chairs hold levers of power that other directors do not, and subject expertise of individual directors brings influence. But such equality creates the legal expectation that any such informal hierarchy can and should be set aside on important matters, and that board work can be and will become liminal when the directors themselves choose. That means non-executive directors have the option of staying permanently on the threshold, and executive directors have the right to discard hierarchical subservience in favour of liminality any time they choose. Consider: An operations director may identify professionally with the organisation (self-

identity, as an engineer and producer of products) and personally with the CEO and top management (social identity, as a team). But when appointed to the main board, she can conspire with non-executives to fire her boss; she must in law if the actions of the CEO are harming the business. If directors are always on the threshold, how do they build the commitment to the organisation that director duties[2] require? How do they achieve the stewardship associated with taking a long-term perspective that policy seeks?

From commitment to 'ownership'

Commitment to the organisation motivates work in different ways from identification with the organisation. According to Meyer and Allen (1991), work commitment has affective, continuance, and normative elements: a desire, a need, and an obligation. To be committed, one has to like the place of work, the people, the products and services, and the reputation of the organisation. But liking is not enough. One must also feel a need to continue to work there, which can override the appeal of other workplaces and impede the desire to explore alternatives. More than that, however, one needs a sense of duty to the others; this other-regarding element means that commitment is a social phenomenon, not just an individual one. Such commitment can be damaged or lost, of course, if another individual or the organisation fails to reciprocate. This may be especially damaging when someone who is temperamentally a steward feels untrusted. Yet the affective element of commitment – *desire* – can be reinforced by repeated reciprocity, which strengthens the normative element – *obligation*.

While organisational commitment helps to explain why people continue to work at organisations and may even make sacrifices to remain, in the view of other psychology scholars, there is another state of mind that goes further. Etzioni (1991, p. 466) argues that people often develop symbolically a sense of property about their association with objects and practices with which they engage; this dual creation is "part attitude, part object, part in the mind, part 'real'". Pierce et al. (2001) extend these ideas to develop a theory of psychological ownership, in which the possessed object is viewed as an extension of the self, part of "me". Psychological ownership is thus not just entitlement; it also satisfies three human motives: to have an effect, to extend self-identity, and to possess "territory or space", that is, to carve out a "place", a home (2001, p. 300).

Pierce et al. (2001) see several routes to the development of psychological ownership. Employee control over, intimate knowledge of, and personal investment – in time and effort, in aspects of the organisation – increase the sense of ownership.[3] Having such a sense effect brings rights and responsibilities as well, as does the expectation that actions will create change; having change imposed, however, can diminish the sense of ownership.

[2] As a matter of law, director duties will vary by jurisdiction, but with considerable similarity. In UK Company Law, directors are required to "promote the success of the company for the benefit of members as a whole", where "members" means shareholders or the equivalent in other forms of incorporation. Even a director nominated by a large shareholder must set aside specific interests of the shareholder they represent. Executive directors should be directors first and executives only after the board adjourns.

[3] The "investment" factor here is not financial. But using the term points towards benefits for work motivation that can arise from employee equity ownership, which combine legal and psychological ownership. Studies of psychological ownership often focus on employee stock ownership plans (Avey, Avolio, Crossley, & Luthans, 2009; Pierce & Rodgers, 2004).

In a meta-analysis of empirical studies, Zhang, Liu, Zhang, Xu, and Cheung (2021) identify another component – safety – which they describe as comprising organisational justice, trust, support, and emotional closeness. Moreover, they find that psychological ownership goes beyond both commitment to and identification with the organisation as a motivating force for employees. Moreover, psychological ownership may be reinforced through financial investment as well as time and effort (McCarthy & Palcic, 2012), though the effects may be constrained by institutional arrangements in different settings (Oehmichen, Wolff, & Zschoche, 2018). These forces encouraging development of a sense of ownership face obstacles as well, of course (see Table 1). While these perspectives focus on developing commitment and psychological ownership among employees, we need to consider whether and how this concept can be extended to boards.

Table 1 – Sources and expectations of psychological ownership of directors, boards

Sources of 'ownership'	*Forces supporting*	*Forces constraining*
Control	Legally strong; effected collectively by boards	Constrained by local circumstances; individual directors' control depends on persuasiveness in boardroom
Knowing	Notionally directors have full rights to internal information; non-executives have ability to add external perspective	Organisational factors can restrict information available to liminal actors; nuances of organisational culture may be out of sight
Investment: time, effort, also finance	Investments in time and effort and individuals' commitment are mutually reinforcing, leaving the issue of how to start the process Some directors may hold shares, i.e., financial investment Employee share options create financial investment, reinforcing time and effort on path to psychological ownership	Governance codes generally discourage options and other equity-based reward for board service, limiting ways to foster financial investment
Safety	Sanctity of physical and mental boardroom offers safety; board cohesion and trust reduce risk	Justice, trust, closeness dependent on local conditions
Expectations of 'ownership'	*Forces supporting*	*Forces constraining*
Rights	Considerable latitude prescribed in law; board has discretion over scope of delegated authority	Implementation depends on local factors: e.g. wilful CEO can impede exercise of rights
Responsibilities	Personal liability for decisions, mitigated in part by directors' and officers' insurance; individuals may select specific duties	Director discretion can lead to shirking in absence of commitment (i.e. absence of desire, need, or sense of obligation)

Change	Depends on sources of individual's motivation beyond status and remuneration	Directors' lack of commitment may lead to apathy about change

Board processes, practice, and 'ownership'

How do non-executive directors overcome liminality to develop the commitment and sense of ownership that permit stewardship? How do the executives who sit on the board develop the detachment from the inner workings of the organisation sufficiently to become a controlling force over other executives and their own, pecuniary self-interest? The answer to these questions may lie in board processes, and particularly those that lead to strategic decisions.

Forbes and Milliken (1999) developed a model of board work with processes at its centre. They argue that having knowledge and skills among the directors is important only if the board's processes engage them. Expectations of discipline and engagement, that is "effort norms", are needed. So too is constructive challenge involving episodes of "cognitive conflict". In dysfunctional boards, these processes are turned inside out. Expectations of sliding through – by not reading through the board papers, arriving late or not showing up at board meetings – can become norms in themselves, with corrosive effect. Individual directors may fail to use the knowledge they have, but so too the processes themselves may inhibit directors from engaging constructively. Conflict that is not constructive may arise because it is rooted in negative affect, rather than cognition; or it may fail to appear because of positive affect: the board is too cohesive.

These elements – effort norms, use of skills, cognitive conflict – suggest an understanding of "process" quite distinct from that of standard procedures and fixed decision paths. They point towards what we might call the board's *ethos*, a word Aristotle used to describe habits derived from practice.[4] Cognitive conflict is a practice of control, in which directors assert the board's control over management. It also acts as a mechanism to assure just outcomes. Effort indicates investment of time and energy, the use of knowledge. That a board is cohesive makes it a safe group in which to operate. Board practices thus align with the sources of psychological ownership. They thus provide a route through which liminal actors can develop it, which goes beyond just commitment to the organisation and its goals. It extends to establishing those goals, that is, articulating corporate purpose, and then ensuring its delivery.

Commitment to the company that gives rise to psychological ownership generates an expectation of responsibility for it, and with that a sensation of being accountable. In a recent study, Elms and Nicholson (2020) show the wide variety of director commitment to and identification with the companies they serve, and the implications for their "felt

[4] It may help to keep the definition of practice of MacIntyre (2007, p. 187) in mind: "any coherent and complex form of socially established co-operative human activity through which goods internal to that activity are realized". He goes on to say that these activities are conducted in the pursuit of standards of excellence appropriate to that activity, and that the activity thus extends both human powers to achieve excellence and our conceptions of the ends and the goods involved. He thus sets a high bar for what constitutes practices that leads to virtue. Bad habits are not virtuous. The *ethos* of some boards may thus be both dysfunctional and vicious.

accountability", an "intrinsic, subjective state and a matter of individual perception" (Fry, 1995, p. 183).[5] Elms and Nicholson's invocation of "felt accountability" suggests they see affect as well as cognition at work, pointing to the building blocks of stewardship.

So far, this discussion has dealt mainly with directors controlling management, often associated with challenging management, seeking explanations for actions and plans, and in doing so creating accountability. It is a role often associated with agency theory and using the board as a tool to align management interests with those of shareholders. As we have seen, however, board work also has another facet: service. This is, by contrast, a more creative activity, contributing insights and facilitating access to scarce resources that can help the business accelerate. This is collaborative work of executives and non-executives on unitary boards or between the supervisory and management bodies in dual-board systems. By spanning organisational boundaries, directors not part of management can help the firm overcome resource constraints and help to surface unconventional approaches to problem solving (Hillman & Dalziel, 2003; Hillman, Withers, & Collins, 2009).

This dichotomy tells only part of the story, however, in at least two regards. First, is the stance that individuals take towards their work. The study by Elms and Nicholson (2020) suggests that having an identity as an *expert*, for example, as an accountant, leads directors to concentrate on narrow aspects of board work, while achieving a more dominant identity as *director* leads to concern for the overall performance of the company. The latter points to greater engagement with collective decision-making and a more balanced approach to service and control roles. Second, and often absent from the theoretical intent of academic literature, is the practical dimension of being on a board. Service often takes place intimately co-mingled with control activities. As we will see, some actions of directors may have a disciplinary function even as they support management to achieve its aims. The two roles become, as practiced, indistinguishable.

Yet, as concerns about problems in corporate governance have mounted, through recurrent cases of loss of control and waves of corporate collapses, a board's agenda can become overwhelmed with compliance activities (part of its *control* role) and in so doing squeeze out other more creative ideas and the playfulness associated with innovating business practices (*service*). A study of boards of hospitals in the UK National Health Service found agendas overloaded with routine and compliance matters. Strategic decisions were regularly placed at the end of long agendas and thus rarely got more than cursory attention. Big, important, and exciting decisions were cramped by agendas stifled with routine and compliance (ICSA, 2011). What directors attend to in practice becomes institutionalised, constraining attention given to other tasks (Ocasio, 2011).

For this reason, boards often leave the boardroom itself, a place increasingly associated with "control", to find alternative, informal ways of interacting for the more creative, "service" work. In the aftermath of the great financial crisis of 2007-09 and the long recession that followed, Concannon and Nordberg (2018) explored attitudes of directors of companies

[5] NB: Fry (1995) writes of "felt responsibility"; Elms and Nicholson (2020) translate that to "felt accountability". Fry says felt responsibility helps individuals to be accountable to themselves and others, which resonates with the observations on horizontal and vertical accountability by Roberts (1991, 2001).

mainly in the heavily regulated financial service firms. Their formal agendas had become dominated by control activities of audit and compliance, leading directors to seek out informal settings to conduct their blue-sky thinking and product and process innovation. That is, the boardroom was no longer playful and non-hierarchical, but instead the site of struggles over control of the existing resource base. The boardroom has ceased to be a liminal space.

Figure 1 then shows how directors, bumping against a threshold that can inhibit direct development of psychological ownership, can find a path through board processes and practices to develop the knowledge, exercise control, and invest the time and energy that Pierce et al. (2001) see as sources of claiming the organisation as a part of self. Following the line of reasoning in Concannon and Nordberg (2018), the investment seems likely to appear in strategic decision-making, which engenders cognitive and affective engagement as well as responsibility alongside the rights that directorship entails.

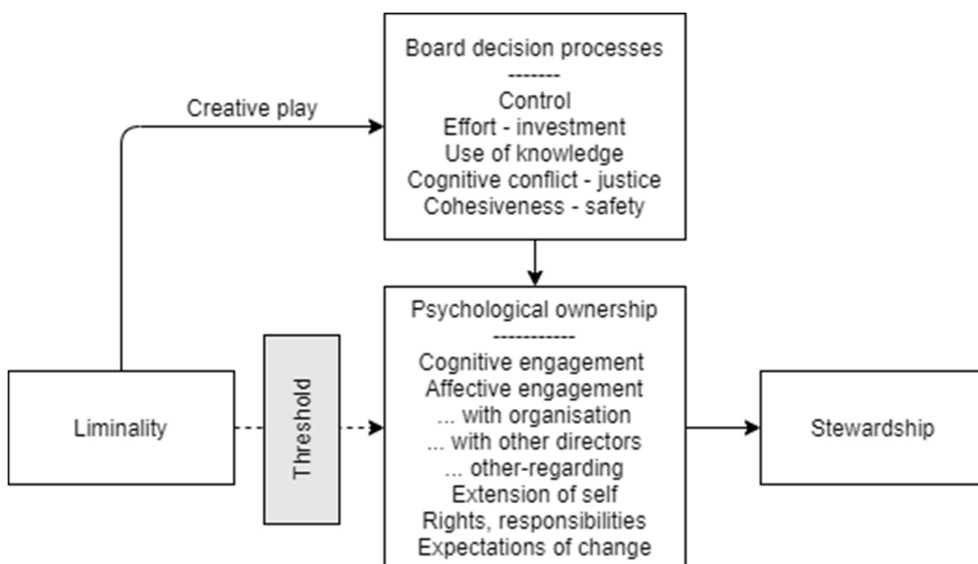

Figure 1 - Board decision processes as path to director stewardship

For non-executives, this rationale is clearer than for executive directors, who already sit inside the organisation. Yet they too may face a hurdle to psychological ownership. From within the organisation, they may have commitment, that is, the desire and need to continue with the organisation and a sense of obligation to it and those who work there. But this theoretical discussion points to “ownership” as something different, the sense of property as extension of one’s self. Coming into liminal space and engaging in the non-hierarchical and creative work of boards may be what they too need to make the ownership leap.

Decisions and deciding

The important decisions that boards make are often said to fall into a handful of categories, four of which dominate: 1) strategic decisions, including mergers and acquisitions, and business entry and exit; 2) CEO and board succession, and executive pay; 3) financial matters, including dividends, leverage, and capital allocation; and 4) governance matters, concerning organisational structure, processes and decision rules (McKinsey & Co., 2021). With the

framework developed above in mind, let us consider four thought experiments in which boards need to make strategically important decisions concerning problems where expedience conflicts with longer term aspirations and societal needs. These examples are cases are fictional but with analogues in real organisations. They have been developed in part from incidents in which board work was confidential. Some were important enough that to attract public attention, or directors have voiced their opinions informally and not for attribution. Details of the processes may, therefore, be reconstructed from outcomes or the fragmented accounts of interested parties.

I make no claims of representativeness or completeness, only of validity. These cases are not products of research per se, but instead provocations for research. Each case asks two questions, neither about the outcome: How does the process affect directors' commitment and sense of ownership, and how does that represent the other-regarding yet self-actualising stance we associate with stewardship of corporate purpose?

Case 1: The merger

Let's call it that, a merger not an acquisition. But we both know (*you and I*) that our side is the winner and theirs the loser. The label – whether *M* or *A* – is mainly a matter of saving taxes. When it's an acquisition, the other company's shareholders have to offload some of their shares in the new firm to pay capital gains tax, driving down their price and the value of the shares that *you and I* each hold. If it is a combination of equals, all that untidiness goes away. Agreed?

You are chief operating officer, only recently appointed to main board. I am the lead non-executive, newly appointed to that role but with three years' service. The CEO has a good relationship to the chair, who has been with our company from the start a dozen years ago, when they patched together several unwanted initiatives of banks and insurance firms. They took those service ideas and turned them into a mobile phone app that that revolutionised payments. Users faced much lower costs than credit cards, though consumers in major western economies like ours were slow to adopt them. The explosive growth came mainly in East Asia and the United States, though in the latter serious competition was just around the corner. Still, we listed on the stock exchange a half dozen years ago, and last year won a spot in a major index, attracting new investors and pushing up the share price, and with it your wealth and mine, as well as theirs.

At today's board meeting, the chief financial officer presented a proposition: A South Asian entrepreneur – operating in a large market we haven't yet cracked – mimicked our initial business model, buying up a string of exiting but under-capitalised start-ups and incorporating a holding company for them in London. Each of the businesses has real customers, and their numbers are growing rapidly. Like us, they deduct a small fee from every transaction, as we did at the beginning. But the plan, as ours was from the outset, is to morph into a deposit-taking organisation. For that, they need a partner with the knowledge of how best to navigate banking regulation and manage the awkward transition from being a tool that banks use to being a competitor. The entrepreneur is looking for shares and cash, so the tax position is important. But he does not want a seat on the board. This is his exit, and he sees our shares as a good, long-term investment, with liquidity should he wish to complete the exit soon. Besides, he knows we won't offer an all-cash deal. The chair, smiling, wants both of us to join an ad

hoc committee to evaluate the proposal. The seller understands these things take time. But he is pressing nonetheless for a quick-ish decision. How should we, the board, *you and I*, decide?

Case 2: The CEO

You chair of the nominations committee. We meet to discuss the sense that I have, as a new non-executive, that something's not right with the CEO. He seems lethargic, dismissive, complacent, more concerned with his legacy than our future. It doesn't help that his share options are underwater. In the current climate, our investors will not tolerate a re-pricing of past remuneration decisions. What do we do?

Textbooks speak of our role as one of constructive challenge, but the CEO is playing rope-a-dope in meetings. The expression gained attention when in 1974 Muhammad Ali told officials to loosen the ropes of the boxing ring so the ropes, rather than Ali's torso, would absorb the force of body blows from his opponent, George Foreman. Our CEO is just lying against the ropes, deflecting our questions about gaps in the explanations of variances from budget. At the moment, the mainstays of the board all seem friendly – too friendly – with both the CEO and CFO. The worst example is the chair himself, who seems to be playing rope-a-dope himself, on the other side of ring, where no one is even throwing a punch.

Over time we have quiet discussions – at coffee before the board meeting, on the phone afterwards – we share our concerns. Then, we organise a couple of dinners in high-sided booths of an old-fashioned Victorian chop house in the city centre, the sort of place where the movers and shakers in politics and commerce and long conspired. At these soirees, a few of the other directors confide that they, too, have felt uncomfortable. One is considering making her excuses and leaving the board as soon as her elected term is up. Another has been speaking of his concerns to a personal coach, coyly not naming names, but he is getting anxious that the smokescreen of anonymity is not very strong. Is this a consensus developing? Or have we, in initiating the discussions, merely offered our colleagues a chance to nod, much as they have nodded to the actions of the CEO and the inactions of the chair? It's time to decide. What is the next step?

Case 3: The dividend

We, the board – like most sensible, intelligent people – have joined the consensus that climate change is the most important issue facing humanity, and the most intractable. Our product is a big part of the problem, and our company, let's call it Gigantic Petroleum, should be part of the solution. Outside the annual meeting, and on many days outside our headquarters, protestors decry not just the carbon emissions of our operations, but those of our customers. For years, one activist group of environmentalist investors has been demanding that we shift all future capital investment to renewables. Now it has captured the ear of several hedge funds and a large asset management firm working on behalf of pension funds. Together, they hold many more of our shares than the environmentalists, though still nothing like a majority.

But today, that investor coalition has notified us of a new demand: that we cease making dividend payments altogether until our operations are carbon-neutral and renewables make up at least half of the revenue of the firm. Led by specialist environmental-activist funds, the

effort has attracted a wider following. At least one of the hedge funds that joined is reputed to engage regularly in short selling.

Our chief financial officer scoffed at the demand. Hadn't we seen the argument advanced by none other than some of the world's top scholars in corporate finance, law and governance? They argue that Gigantic ought to increase its payout, not cut it, she says. That way all our investors would get more money to invest as they see fit, which would make more capital available for renewables, once the return looked attractive. She told us to look up their manifesto, their *démarche*: Edmans, Enriques, and Thomsen (2021). What next?

Case 4: Governing in a crisis

We have just joined the board of a medium-sized charity, using premises donated by a corporation and surplus to its requirements, or by a municipal government for the sake of creating a community service. We operate a sports hall, auditorium and playing fields that can be rented out for events or used for other forms of local entertainment, outfitted over the years through donations, ticket sales, and an occasional boost from local government funds. The board has its regularly scheduled meeting to consider the next year's budget, but the day before a disaster has arisen. It might have been a flood or a fire, which would have had a similar effect. It was, however, a decision by central government to put the entire community into lockdown for the coronavirus SARS-CoV-2, known colloquially as covid. The venue must close, and we – the charity, that is – have no debt but only minimal physical assets. Our working capital is sufficient to operate for a few weeks. When it's gone, we will be insolvent. In good years we operate at only a bit better than breakeven, so reserves are very modest, perhaps not even sufficient to pay statutory severance to the workforce on whose goodwill we have repeatedly drawn. There is emergency funding available backed by the state, but no prospect of revenue for the foreseeable future.

The board is made up entirely of volunteers, 12 of us, working without pay. More than half are in full-time employment elsewhere. In this case, unlike in a fire or flood, the various organisations that employ us are all panicking too. Eight of the directors have strong emotional ties to the type of community service we deliver, either from having worked in that type of service or from family members who have at one time relied on this type of service. Four do not; they joined principally to gain experience of boards in the hopes of gaining a promotion. After very careful, iterative reforecasting, using varying assumptions, we decide to bid for a central government grant, but only after projecting three (of five) scenarios in which the organization can survive. Moreover, the chair has decided – *no*, he corrected himself, recommended – to appoint and emergency board, made up of five of the 12 of us, with power to act for the board as a whole. You have been invited to join. I have not.

Practices and 'ownership'

These four cases suggest practices that can lead to – or away from – imbuing stewardship in board. They show varying degrees of control and circumstances that make it possible. In *Merger* the directors (*you and I*) may have the ability to control the situation, but we choose to go with the comfortable flow; our effort is weak, because we see it adding little to the outcome. While we have the skills to intervene, to challenge, we choose not to bother. In this

cohesive board we see no need to act, but is the decision safe, or have we overlooked the possibility that the CFO has different and undeclared intentions?

In *CEO*, by contrast, we seem not to be in control, though we come to see, over time and through effort and by using informal communication channels, to understand that our control is greater than we might have thought. Our scope for cognitive conflict grows as we use our intellect, collaboratively, in seeking a just outcome, taking the interests of the directors justly into account. In *Dividend*, the board has to decide; the decision lies outside the legal competence of the executive. For directors the question is one of effort: of developing a better understanding of the logic of what appears to be a self-regarding approach as we educated ourselves about the counterintuitive, other-regarding proposition whose irony may be missed by those voices reaching the board that take a more ideological form of conflict. Does dividing the board open the door to dysfunction?

In *Crisis*, the board faces insuperable forces; while it may control the executive, it cannot possibly do more than cope with the pandemic. It invests effort and uses its the knowledge and skills at its disposal to generate what is hopefully a less unjust outcome. Cognition is in evidence, but not conflict, until in a heavy-handed way the chair tells you how much he values your input and infers how little he values mine. Cohesion is placed in jeopardy, which now relies on my identification with and commitment to corporate purpose, unsupported by affective ties to the board itself. The results of this analysis are summarised in Table 2.

Table 2 - Decision process elements by case

	1. Merger	***2. CEO***	***3. Dividend***	***4. Crisis***
Control	Strong, though ceded by the directors in the case	Impaired by controlling CEO, chair	Strong	Weak: insuperable external forces; managing as *coping*, rather than *controlling*
Effort, investment	Weak, deemed unnecessary	Strong among allies	Strong: decision requires rethinking theory, practice	Strong
Use of knowledge	Passive	Strong among allies	Strong	Strong
Cognitive conflict, justice	Weak	Strong among allies	Strong, challenge forces re-think of basis of justice	Strong, in particular in need for justice
Cohesiveness, safety	Presumed strong; may overlook divided objectives of other directors	Strong among allies, but may divide board, risking dysfunction	Strong: CFO's *démarche* calls for collective effort	Strong, though safety sought is that of beneficiaries, not self

Psychological ownership, with its cognitive and affective dimensions, is possible in each case, though affect is less evident in the largely self-interested directors (*you and I*) in *Merger*. The directors there seem to disregard responsibilities while asserting personal rights; the sense of self is supported but not extended, and the directors look petty as a result. In joining the ad

hoc committee to examine the deal, they have the opportunity to build commitment through engagement. Together they have detailed inside understanding (the operations director) and outside perspective. If they could get outside the confines of the physical boardroom. But more important is to get outside the hierarchy of the chair, who is already agitating for a quick decision. There won't be time for creativity and play, or opportunity to explore options about the purpose of this deal, or the merger.

In *Crisis*, by contrast, affective engagement may even pre-date appointment to the board, as charity directors seem often to have a strong appreciation of the cause before finding the organisation in which to pursue it (Nordberg, 2021), alignment therefore with purpose before it is incorporated in the organisation. For them, board practice may well be the pursuit of internal goods and intrinsic value not just of the charity but also of board work itself. But some of the board members clearly have external goods in mind and extrinsic motivations. Engaging repeatedly through the pandemic in board work may guide them to see the internal goods, much as Sinnicks (2014) suggests can happen as employee commit to and identify with the organisation in which they work. But there is a risk: You may have been ordained (by the chair) to act as saviour. By contrast, I have been ejected from the liminal space, excluded from creative if very serious play, into the cold. Yet I remain, legally, liable for the mistakes you may make.

In *CEO*, we see strong and growing engagement on both cognitive and affective levels, a strong sense of responsibility and a modest but an indeterminant ability to exercise the right to effect change. The directors' acquiescence to the current state of decline is a board-level example of what Fragale, Sumanth, Tiedens, and Northcraft (2012, p. 373) call "lateral deference", a communication strategy in which deferring to peers is used to protect their "hierarchical positions". In boards, directors are formally equal, whatever the informal position might be. Directors may thus defer to peers without accepting the position and then find that doing so solidifies their position and builds support for action later. Directors are not only entitled to object to the actions of their peers; they have an imperative as stewards to act on it. In this case, acting as a *control* is at once a creative process, and a *service*. Engaging in such practices, without hierarchy (and without the chair) shows the rudiments of a practice that grows with each encounter, building affective and cognitive social ties between the dissidents and disgruntled. The question then is whether to act immediately or later, as evidence of injustice or threats to safety mount.[6]

In *Dividend*, we see a position of a dominantly other-regarding stance, though given the puzzle posed by the counterintuitive, politically incorrect yet appealing analysis, they face a call to look at themselves in an academic mirror. This form self-regard is a questioning one, however, asking: Where do you or I stand? It engages us cognitively, but quite possibly separately. Solving puzzles together might increase affective engagement with each other and with corporate purpose, and the exercise itself seems likely to stretch the muscles of our identity, self- and social. (For a summary of the analysis of "ownership", see Table 3.)

---

[6] I am indebted to Professor Terry McNulty for originally alerting me to this idea. An as yet unpublished conference paper (Stiles, McNulty, & Roberts, 2017) develops this theme further.

Table 3 - Facets of psychological ownership by case

	1. Merger	***2. CEO***	***3. Dividend***	***4. Crisis***
Self- or other-regarding	Dominantly self: focus on personal share ownership, corporate tax considerations	Dominantly other: concern for business, shareholder interest	Dominantly other: self-regard comes from satisfaction derived from solving puzzle	Dominantly other
Cognitive engagement	Strong, but potentially misdirected: They overlook self-regarding intent of CFO, other executives	Strong	Strong	Strong
Affective engagement	Strong, given the statement of corporate purpose	Strong in some relationships	Unclear: exercise has potential to build ties	Strong; affective engagement may precede board membership
Extension of self	Self-identity supported, not challenged	Social identity expanded	Exercise stretches self- and social identity	Self- and social identity both expanded
Rights	Strong: focus on shareholder rights and directors as shareholders	Strong, but ability to exercise them seem limited by current practice	Strong	Strong legal rights have little scope to deal with environmental challenge
Responsibilities	Weak	Strong	Strong, but consensus on object conflicted	Strong
Expectation of change	Strong	Strong	Strong	Strong, even though objective may be to retain prior status in face of potential catastrophe

Moreover, some of the questions these cases raise lead us to recognise how difficult it is to separate control from service, and thus the agency problem from the problem of the lack of stewardship. While *Merger* might be the agency problem incarnate, affective engagement with corporate purpose is evident, as articulated in its strategy. These directors (*you and I*) have to decide whether to act on it. Yet we know, or at least sense, the others will even go ahead without us. What is missing among the ingredients for stewardship is the cognitive engagement associated with responsibility, which might be triggered by processes of strong cognitive conflict. We failed to ask the question: Why is this proposal coming from the CFO and not the CEO or top management as a team? Failing to ask the question isn't just a missing opportunity to control; it is a disservice to the board, perhaps to senior management, and quite possibly to shareholders, customers and others, when the merger imperils corporate stability.

In *Crisis*, by contrast, the scope for personal gain was close to zero and the threat to corporate purpose was extreme. Here we asked questions that we could not possibly answer, but in asking them, we alert each other – board and senior management – to possible future states and the risk and opportunities they entail. Such attention accustoms us to thinking of alternatives, mental exercises that can increase our fitness to decide, when decisions become imperative. In setting aside procedures, we allow ideas to surface that might not arise in more open processes. But then an act of misguided direction by the chair – deciding, not being open to options, and imposing hierarchy on what had been a free-wheeling discussion – puts the consensus of the board at risk.

In all these cases, the directors (*you and I*) need to play with ideas, so we opt for avenues of communication separate from the formalities, where hierarchy matters less than it seems to in the boardroom. That freedom to play lets us imagine alternatives, free (for a time) from the need to act and from the standard procedures designed to maximise the control associated with accountability and compliance. That freedom to play is the fun of being a director.

Practices, not decisions

Let's recall the task we set at the beginning: identifying ways that boards of directors can foster stewardship through the decisions they take. One of the first things we notice is that all these decisions involve complex processes. None fits neatly into any one of the four categories we outlined. Separating strategy, human resources, finance, and governance arrangements from each other is impossible. Strategy and governance questions spill across many categories of business issues. What looks like a matter of performance management in an ordinary employee becomes a strategic risk in the boardroom. What looks like a simple question of affordability becomes a statement of strategic intent and an act of defiance to many investors and the public at large. The activities of the directors within each case involve service *and* control in the same breath, not the distinct and opposite things we learn in theory.

What the cases suggest

Getting from liminality to stewardship is also not a straightforward process. In *Crisis*, it should be. Affective engagement is there at the outset. Without it, the directors would probably not bother. But even there the path has obstacles. We work *pro bono* for the sake of corporate purpose but also simultaneously because the work is fun. We like the cause, but we also like the process of engaging in the debate, especially in this time of crisis, when the mental exercise is exhilarating. In *Merger*, we disengage from affect and a feel a need – short of an imperative – to withdraw from cognitive engagement. Does a steward leave quietly? On the other hand, we could look the others in the eye and see ourselves. Other-regarding in the boardroom is an exercise of self-regard, we feel (that is, not think). We fail to ask the penetrating and uncomfortable question. Stewardship does not arise.

In *Dividend*, we see a cognitive puzzle that increases our enjoyment of the activities of being a director. That enjoyment is of short duration, however, and without the power to motivate a long-term attachment that allows identification with purpose to become commitment to its pursuit. In *CEO*, we see division, not cohesion, and cognitive effort that does not immediately become evident in constructive challenge. Here, however, seeds of

engagement are growing roots. In this case, our sense of self expands as our concern for the other(s) grows.

Implications

From the four cases, several tentative ideas emerge about the progress from liminality to stewardship. What seems easy to appreciate is the way that using one's knowledge and skills, and engaging in the effort of board work, are likely to build a sense of ownership irrespective of whether directors have made a financial investment as well. Doing the work collectively creates affective links among the directors as well, and the formation of a group through interaction will extend social identity and could contribute to build a strong self-identity as they gain esteem for their current knowledge and discover new facets of self. These point towards the development of psychological ownership that leads to stewardship (Figure 1). Beyond that lie some other insights from these cases, but given the plausible but fictional case details, it would be rash to make strong claims. Yet we might (*you and I*) raise these ideas as questions:

How important to stewardship is the ability to control? Controlling is an important process in corporate governance, yet in these scenarios, the ability did not matter very much in *Merger* or *Crisis*. Stewardship seemed unlikely to arise in the former, whatever the decision was, and quite likely in the latter. In legal ownership of property, control is a right. Being unable to control must affect our engagement with the processes. The case of *Crisis*, however, suggests that engagement may depend less on having control than in not having to cede control to another actor.

How does justice in process relate to the sense of safety? The theorising in Forbes and Milliken (1999) suggests an uneasy interaction of cognitive conflict and the cohesiveness of boards. They posit an inverted-U relationship with outcomes, in which conflict stimulates until it retards progress, and cohesion helps until it spills into cosiness. Conflict in the pursuit of justice can feel dangerous, as it does in *CEO*, in which both just processes and just outcomes are at stake. But it also creates purpose and energises engagement. In so doing, it reinforces the other-regarding, responsibilities-led elements of ownership, though at the risk of cohesion. In *CEO*, however, cohesion between the CEO and chair has already tipped towards the counter-productive side of the inverted U.

What roles do different forms of affect have on development of stewardship? The model in Figure 1 identifies affective engagement with both the board and the organisation. In most situations those might seem like the same thing. Yet in *CEO* we have seen affective ties between the chair and CEO that threaten ties to other board members, and then affect developing among the reticent but dissident directors, who defer to the chair and CEO *for the moment*. Emotional ties to the organisation, its products and services, and its employees might well in this case be accompanied by loathing for other individual directors. The contributions of self- and other-regarding seem in this case difficult to separate, and their impact on stewardship seem to depend upon which "other" one regards.

What roles does corporate purpose play in fostering director stewardship? Corporate purpose is an important in policy (Tomorrow's Company, 2016) and in public discussion of corporate governance (e.g. Business Roundtable, 2019; Fink, 2018), though in this form it has not quite worked itself into academic theorising and empirical examination of stewardship.

Some have invoked investor stewardship into the debate (e.g. Edmans, 2020; Mayer, 2021), often in the context of rejection of shareholder value as the driving force of corporate decision-making and investor stewardship as a potential countervailing force. The management literature often equates stewardship with long-term orientation and thus the willingness to forgo short-term gains for the sake of investments with a longer time horizon. The cases postulated in the chapter also treat purpose only tangentially. *Crisis* deals with a volunteer board and an organisation with beneficiaries who are not easily seen as owners, investors, or customers. *Dividend* raises the question of purpose, in a sense, through the back door. In *Crisis*, the organisation's purpose is clear to directors before they join the board; it motivates the decision to become a director, perhaps much more than the modest benefit of being allowed to call oneself a director. In *Dividend*, however, we have to consider whether the CFO's suggested sense of purpose might disguise ulterior motives hidden behind a smokescreen of academic credibility. Does she see the purpose of Gigantic Petroleum to be a producer of cash flow and dividends, to be allocated efficiently by the magic of markets? Or is its purpose to use the intellectual, commercial, logistics and financial resources to identify new and innovative ways of providing energy to its customers, that is, basically, everyone? In either case, in what ways – through what practices – does director stewardship shift the balance in decision-making? And through what mechanisms does purpose affect the sense of psychological ownership that stewardship seems to require?

Is there a danger that psychological ownership can spill over into a feeling of entitlement? The sense of emotional attachment that workers may feel for an employer may be reinforced by participating in share option programmes or profit-sharing remuneration. But among directors, psychological ownership combined with power over decision-making might reinforce a sense, as we see in *Merger*, that the organisation owes something to the director, rather than the other way around.

How this matters

These questions help us to see the implications of this field of inquiry for organisations, their directors, and academic inquiry in corporate boards and the psycho-social aspects of their decision-making. They and the cases we have considered illustrate the need for a liminal agent (director) to attach to the organisation. They do so through participation in processes and practices that bring familiarity with the organisation *and* aspects of the business environment to which it might not have seemed connected before. Familiarity with the organisation is a larger obstacle for non-executive directors, but they bring experiences from outside the organisation that help executive directors to identify connections, including personal connections with other directors. In board work, liminality brings the critical distance needed for monitoring and control, yet it is also a barrier to commitment. Building attachment may work better in informal, liminal settings where hierarchy is less important, and the work takes on a more playful character.

For organisations seeking stewards as directors, and for directors seeking to act as stewards, this line of thinking suggests that the necessary formality associated with legal compliance and reinforcing protocols might benefit from a more open approach, at least as a supplement. Openness in process seems more likely encourage activities that generates cognitive engagement, while offering routes to affective attachment and extension of both self-

and social identity. That might involve experimenting with creative work and forward-looking inquiry in open mental and perhaps less formal physical spaces (in the sense that de Certeau, 1984, uses the term), while suspending critical questioning for another time and (appropriated and controlled) place. Doing so could open the path to discussion of the dimensions of corporate purpose.

Research into this field will of course face the obstacles of access to private and often commercially sensitive discussions that have long impeded work on corporate governance. Studies that have managed to do so suggest benefits of behavioural, and not just demographic, diversity (Klarner, Probst, & Useem, 2020). We have also seen nuanced uses board chairs make of their power as they reduce and increase the scope for engagement by other directors (Bezemer, Nicholson, & Pugliese, 2018). Researchers with such access might extend their efforts to examine decision events to understand what practices, ritualised or improvised, foster the engagement of directors and build commitment to the organisation and psychological ownership of it, and thus the role that process plays.

Conclusions

The argument of this chapter is not a manifesto to do away with structures and mechanisms of corporate governance. Nor does it consider in affective attachment developed through engagement in creative practices: that *service* might jeopardise *control*. Instead, it seeks to heighten attention to the paradoxes of being a director and the puzzle they create for directors when they make major decisions. Piecing together theoretical approaches and empirical evidence, it presents a tentative model of a path from liminality to psychological ownership that seems an antecedent of director stewardship.

Sitting on the threshold has advantages. It permits directors to distance themselves from the implementation of policies and thus to exercise control over them. By asking inside, executives directors to join non-executives on the limen, should help them to overcome internal allegiances that impede the cognitive conflict that is central to strong governance. By inviting outside, non-executive directors to engage liminally allows them to gain channels to information that will make their control of the company better informed. But liminality has a drawback. Executive directors may fail to see an incentive to set aside self-interest and develop the other-regarding character of a steward. Non-executives may fail to develop the commitment necessary to develop the affective element of commitment to the company.

This chapter has argued that the barrier that liminality presents to psychological ownership and thus stewardship may be overcome by paying attention to the other side of board work – its service role – through less structured, even deliberately non-hierarchical methods. Such work – such as awaydays, collective learning exercises, or meeting in informal settings – can prevent compliance from crowding strategy off the agenda of formal board meetings. Through its thought-experiments, it has also shown of such engagement creates a sense of obligation to each other and well as fostering desire for the success of the business that contribution to stewardship. It can provide opportunities to rebalance service and control.

The thought-experiments also illustrate downsides that can arise from the failure to develop stewardship on corporate boards, how self-interest or excessive deference can lead to poor board decisions. Such problems arise in both processes and outcomes. Those problems

occur when the liminal space remain hide-bound in hierarchy, and the path to imagination is squeezed out of board work, or never allowed to develop.

That path involves circumventing the obstacle of the limen, the threshold, using liminality to the full through ritualised openness and uncritical playfulness for at least parts of the process of board work. Structure and control are set temporarily aside, while commitment grows and identification, with the organisation, the board, and perhaps corporate purpose builds. When the board returns to the structure of agendas and the control from its compliance tasks, it may retain some of the freedom to think and act.

Donald Nordberg is Associate Professor at Bournemouth University Business School and author of *The Cadbury Code and Recurrent Crisis* (Palgrave, 2020) and *Corporate Governance: Principles & Issues* (Sage, 2011). His research has been published in *Corporate Governance: An International Review, Business History, Leadership, Philosophy of Management, European Management Journal*, and other journals. He also serves as chair of a major social care provider and as non-executive director of a performing arts organisation.

Earlier in his career, he was a management consultant specialising in information businesses and an editorial executive at Reuters. He was educated in the US at Reed College in Portland, Oregon, and the University of Illinois at Urbana-Champaign, and in the UK at the Universities of Warwick and Liverpool.

References

Åberg, C., Bankewitz, M., & Knockaert, M. (2019). Service tasks of board of directors: A literature review and research agenda in an era of new governance practices. *European Management Journal, 37*(5), 648-663. doi:10.1016/j.emj.2019.04.006

Aristotle. (1962). *Nicomachean Ethics* (M. Ostwald, Trans.). Indianapolis, IN: Library of Liberal Arts.

Avey, J. B., Avolio, B. J., Crossley, C. D., & Luthans, F. (2009). Psychological ownership: theoretical extensions, measurement and relation to work outcomes. *Journal of Organizational Behavior, 30*(2), 173-191. doi:10.1002/job.583

Bebchuk, L. A. (2020, April). The Illusory Promise of Stakeholder Governance. *forthcoming in Cornell Law Review.* Retrieved from https://ssrn.com/abstract=3544978

Bebchuk, L. A., Brav, A., & Wei, J. (2015). The long-term effects of hedge fund activism. *Columbia Law Review, 115*(5), 1085-1155. Retrieved from http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=103527771&site=eds-live&scope=site

Becht, M., Franks, J., Grant, J., & Wagner, H. F. (2015, March). The Returns to Hedge Fund Activism: An International Study. *European Corporate Governance Institute (ECGI) - Finance Working Paper No. 402/2014.* Retrieved from http://dx.doi.org/10.2139/ssrn.2376271

Bezemer, P.-J., Nicholson, G., & Pugliese, A. (2018). The influence of board chairs on director engagement: A case-based exploration of boardroom decision-making. *Corporate Governace: An International Review, 26*(3), 219-234. doi:10.1111/corg.12234

Business Roundtable. (2019, August). Statement on the Purpose of a Corporation. Retrieved from https://opportunity.businessroundtable.org/wp-content/uploads/2019/08/Business-Roundtable-Statement-on-the-Purpose-of-a-Corporation-with-Signatures.pdf

Concannon, M., & Nordberg, D. (2018). Boards strategizing in liminal spaces: Process and practice, formal and informal. *European Management Journal, 36*(1), 71-82. doi:10.1016/j.emj.2017.03.008

Cremers, M., Pareek, A., & Sautner, Z. (2020). Short-Term Investors, Long-Term Investments, and Firm Value: Evidence from Russell 2000 Index Inclusions. *Management Science, 66*(10), 4535-4551. doi:https://doi.org/10.1287/mnsc.2019.3361

Czarniawska, B., & Mazza, C. (2003). Consulting as a Liminal Space. *Human Relations, 56*(3), 267-290. doi:10.1177/00187267030563612

Dalton, D. R., Hitt, M. A., Certo, S. T., & Dalton, C. M. (2007). The Fundamental Agency Problem and Its Mitigation: Independence, Equity, and the Market for Corporate Control. *Academy of Management Annals, 1*, 1-64. doi:10.5465/078559806

Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a Stewardship Theory of Management. *Academy of Management Review, 22*(1), 20-47. doi:10.5465/amr.1997.9707180258

de Certeau, M. (1984). *The practice of everyday life* (S. Rendall, Trans.). Berkeley, CA: University of California Press.

Edmans, A. (2011). Short-term termination without deterring long-term investment: A theory of debt and buyouts. *Journal of Financial Economics, 102*(1), 81-101. doi:10.1016/j.jfineco.2010.11.005

Edmans, A. (2020). Company purpose and profit need not be in conflict if we ‘grow the pie’. *Economic Affairs, 40*(2), 287-294. doi:https://doi.org/10.1111/ecaf.12395

Edmans, A., Enriques, L., & Thomsen, S. (2021, April). Call for Reflection on Sustainable Corporate Governance. *Policy statement by members of the European Corporate Governance Institute.* Retrieved from https://ecgi.global/content/call-reflection-sustainable-corporate-governance

https://www.law.ox.ac.uk/business-law-blog/blog/2021/04/ec-corporate-governance-initiative-series-call-reflection-sustainable

Elms, N., & Nicholson, G. (2020). How director identification shapes accountability and scope of contribution. *Accounting, Auditing & Accountability Journal, 33*(8), 1815-1834. doi:10.1108/aaaj-12-2019-4358

Etzioni, A. (1991). The socio-economics of property. *Journal of Social Behavior and Personality, 6*(6), 465-468. Retrieved from http://www.gwu.edu/~ccps/etzioni/A208.pdf

Fama, E. F., & Jensen, M. C. (1983). Agency Problems and Residual Claims. *Journal of Law and Economics, 26*(2), 327-349. doi:10.1086/467038

Filatotchev, I., Toms, S., & Wright, M. (2006). The firm's strategic dynamics and corporate governance life-cycle. *International Journal of Managerial Finance, 2*(4), 256-279. doi:10.1108/17439130610705481

Fink, L. (2018, January 17). A Sense of Purpose. *Post on the Harvard Law School Forum on Corporate Governance.* Retrieved from https://corpgov.law.harvard.edu/2018/01/17/a-sense-of-purpose/

Forbes, D. P., & Milliken, F. J. (1999). Cognition and corporate governance: Understanding boards of directors as strategic decision-making groups. *Academy of Management Review, 24*(3), 489-505. doi:10.5465/AMR.1999.2202133

Fragale, A. R., Sumanth, J. J., Tiedens, L. Z., & Northcraft, G. B. (2012). Appeasing Equals: Lateral Deference in Organizational Communication. *Administrative Science Quarterly, 57*(3), 373-406. doi:10.1177/0001839212461439

Fry, R. E. (1995). Accountability in organizational life: Problem or opportunity for nonprofits? *Nonprofit Management and Leadership, 6*(2), 181-195. doi:10.1002/nml.4130060207
Garsten, C. (1999). Betwixt and between: Temporary employees as liminal subjects in flexible organizations. *Organization Studies, 20*(4), 601-617. doi:10.1177/0170840699204004
Gartner, W. B., & Shane, S. A. (1995). Measuring entrepreneurship over time. *Journal of Business Venturing, 10*(4), 283-301. doi:10.1016/0883-9026(94)00037-U
Gatfield, T. (2005). An Investigation into PhD Supervisory Management Styles: Development of a dynamic conceptual model and its managerial implications. *Journal of Higher Education Policy & Management, 27*(3), 311-325. Retrieved from 10.1080/13600800500283585
http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=18486558&site=eds-live&scope=site
Guimarães-Costa, N., & Pina e Cunha, M. (2009). Foreign Locals: A Liminal Perspective of International Managers. *Organizational Dynamics, 38*(2), 158–166. doi:10.1016/j.orgdyn.2009.02.002
Guimarães-Costa, N., & Pina e Cunha, M. (2013). The inevitability of liminality in organising. *International Journal of Management Concepts and Philosophy, 7*(1), 47-63. doi:10.1504/IJMCP.2013.052831
Hernandez, M. (2012). Toward an Understanding of the Psychology of Stewardship. *Academy of Management Review, 37*(2), 172-193. doi:10.5465/amr.2010.0363
Hillman, A. J., & Dalziel, T. (2003). Boards of directors and firm performance: Integrating agency and resource dependence perspectives. *Academy of Management Review, 28*(3), 383-396. doi:10.5465/amr.2003.10196729
Hillman, A. J., Withers, M. C., & Collins, B. J. (2009). Resource Dependence Theory: A Review. *Journal of Management, 35*(6), 1404-1427. doi:10.1177/0149206309343469
Hiura, T., & Ishikawa, J. (2016, February). Corporate Governance in Japan: Board Membership and Beyond. *Report for Bain & Co.* Retrieved from https://www.bain.com/insights/corporate-governance-in-japan-board-membership-and-beyond/#
Hjorth, D. (2004). Creating space for play/invention--concepts of space and organizational entrepreneurship. *Entrepreneurship & Regional Development, 16*(5), 413-432. doi:10.1080/0898562042000197144
ICSA. (2011, July). Mapping the gap: Highlighting the disconnect between governance best practice and reality in the NHS. *Institute of Chartered Secretaries and Administrators.* Retrieved from http://www.icsa.org.uk/assets/files/pdfs/NHS/ICSA%20mapping%20the%20gap%20report.pdf
Klarner, P., Probst, G., & Useem, M. (2020). Opening the black box: Unpacking board involvement in innovation. *Strategic Organization, 18*(4), 487-519. doi:10.1177/1476127019839321
MacAvoy, P. (2003). 'Where Was the Board?' Share Price Collapse and the Governance Crisis of 2000–2002. In P. MacAvoy & I. Millstein (Eds.), *The Recurrent Crisis In Corporate Governance* (pp. 66-94). Basingstoke: Palgrave Macmillan.
MacIntyre, A. (2007). *After Virtue: A study in moral theory* (3rd ed.). Notre Dame, IN: University of Notre Dame Press.
Mayer, C. (2021). The Future of the Corporation and the Economics of Purpose. *Journal of Management Studies, 58*(3), 887-901. doi:https://doi.org/10.1111/joms.12660

McCarthy, D., & Palcic, D. (2012). The impact of large-scale employee share ownership plans on labour productivity: the case of Eircom. *The International Journal of Human Resource Management, 23*(17), 3710-3724. doi:10.1080/09585192.2012.655762
McKinsey & Co. (2021, April). Boards and decision making. *Inside the Strategy Room, a report of Strategy & Corporate Finance Practice.* Retrieved from https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/boards-and-decision-making
Meyer, J. P., & Allen, N. J. (1991). A three-component conceptualization of organizational commitment. *Human Resource Management Review, 1*(1), 61-89. doi:10.1016/1053-4822(91)90011-Z
Mooney, A., Brown, J., & Ward, A. (2021). The effects of director tenure on monitoring and advising: New insights from behavioral governance and learning theories. *Corporate Governance: An International Review, Online first*. doi:https://doi.org/10.1111/corg.12373
Newton, L. (1992). Virtue and role: Reflections on the social nature of morality. *Business Ethics Quarterly, 2*(3), 357-365. doi:10.2307/3857538
Nordberg, D. (2021). Who's in charge, in whose interest? The experience of ownership and accountability in the charity sector. *Management Research Review, 44*(3), 460-476. doi:10.1108/MRR-04-2020-0190
Ocasio, W. (2011). Attention to Attention. *ORGANIZATION SCIENCE, 22*(5), 1286-1296. doi:10.1287/orsc.1100.0602
Oehmichen, J., Wolff, M., & Zschoche, U. (2018). Employee participation in employee stock ownership plans: Cross-level interaction effects of institutions and workgroup behavior. *Human Resource Management, 57*(5), 1023-1037. doi:10.1002/hrm.21885
Ozuem, W., Howell, K. E., & Lancaster, G. (2008). Communicating in the new interactive marketspace. *European Journal of Marketing, 42*(9/10), 1059-1083. doi:10.1108/03090560810891145
Pierce, J. L., Kostova, T., & Dirks, K. T. (2001). Toward a Theory of Psychological Ownership in Organizations. *Academy of Management Review, 26*(2), 298-310. doi:10.5465/amr.2001.4378028
Pierce, J. L., & Rodgers, L. (2004). The Psychology of Ownership and Worker-Owner Productivity. *Group & Organization Management, 29*(5), 588-613. doi:10.1177/1059601103254270
Rappaport, A. (1986). *Creating Shareholder Value: The New Standard for Business Performance*. New York: Free Press.
Roberts, J. (1991). The possibilities of accountability. *Accounting, Organizations and Society, 16*(4), 355-368. doi:10.1016/0361-3682(91)90027-C
Roberts, J. (2001). Trust and Control in Anglo-American Systems of Corporate Governance: The Individualizing and Socializing Effects of Processes of Accountability. *Human Relations, 54*(12), 1547-1572. doi:10.1177/00187267015412001
Sewell, W. H., Jr. (1992). A Theory of Structure: Duality, Agency, and Transformation. *The American Journal of Sociology, 98*(1), 1-29. doi:10.1086/229967
Sinnicks, M. (2014). Practices, Governance, and Politics: Applying MacIntyre's Ethics to Business. *Business Ethics Quarterly, 24*(2), 229-249. Retrieved from https://search.ebscohost.com/login.aspx?direct=true&db=edsjsr&AN=edsjsr.43695001&site=eds-live&scope=site
Söderlund, J., & Borg, E. (2018). Liminality in Management and Organization Studies: Process, Position and Place. *International Journal of Management Reviews, 20*(4), 880–902 doi:10.1111/ijmr.12168

Stiles, P. G., McNulty, T., & Roberts, J. (2017). Lateral deference in the boardroom. *Academy of Management Annual Meeting Proceedings, 2017*. doi:10.5465/AMBPP.2017.14192abstract

Tomorrow's Company. (2016, July). Governing Culture, Risk & Opportunity: A Guide to Board Leadership in Purpose, Values & Culture. *Tomorrow's Company contribution to the FRC consultation on board culture.* Retrieved from http://tomorrowscompany.com/wp-content/uploads/2016/07/Governing-Culture-Risk-and-Opportunity-FINAL-lv.pdf

Turner, V. W. (1977). *The Ritual Process: Structure and Anti-Structure*. Ithaca, NY: Cornell University Press.

van Gennep, A. (1909/2013). *The Rites of Passage*. London: Routledge.

Zahra, S. A., & Pearce, J. A., II. (1989). Boards of Directors and Corporate Financial Performance: A Review and Integrative Model. *Journal of Management, 15*(2), 291-334. doi:10.1177/014920638901500208

Zhang, Y., Liu, G., Zhang, L., Xu, S., & Cheung, M. W.-L. (2021). Psychological Ownership: A Meta-Analysis and Comparison of Multiple Forms of Attachment in the Workplace. *Journal of Management, 47*(3), 745-770. doi:10.1177/0149206320917195