

Angels, Entrepreneurs, & Board Effectiveness in Australian Startups:

the influence of board member interactions on cohesiveness and task performance

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THESIS ABSTRACT

There have been numerous calls for more research on the dynamics of boards to help open the 'black box' of the board, and to situate studies in specific board contexts. These interpersonal dynamics include intra-group conflict and power dynamics. The model of board effectiveness offered by Forbes and Milliken (1999) comprises two group criteria, cohesiveness and task performance, that between them are responsible for effectiveness, and subject to influence from effort norms, use of knowledge and skills, and task conflict. This research extends this model to include relationship conflict, process conflict and power dynamics.

Early stage ventures founded by entrepreneurs are an important feature of developed economies, responsible for creating a significant percentage of new jobs in countries such as Australia (Hendrickson et al., 2015). Furthermore, little research has been undertaken on the lived experiences of Angel investors on the boards of startup businesses, particularly outside of the US and Northern European contexts. These directors have ownership stakes in the business, but often also have non-economic motivations, in contrast to institutional venture investors (VCs), and in common with founders.

Drawing these threads together, this research project sought to understand the way that Angels on startup boards experienced conflict and power in their boardroom interactions with founders; the way they understood the effects these processes had on the effectiveness via task performance and cohesiveness; and to undertake a comparison of these results with the predictions of theory, and to results obtained in other contexts. Data was collected by semi-structured interview from Angel directors of startups, and analysed using interpretive phenomenological analysis (IPA) and critical discourse analysis (CDA).

Findings from this research project include the fact that Angels, in common with VCs, have a relatively high tolerance for task conflict, and welcome it as a decision-making tool. Angels also tolerate low levels of relationship conflict. This research suggests that tolerance may reflect a perceived power differential between Angels and founders, a fact reinforced by findings of discourse analysis.

The emergence of the importance of the control and monitoring role to Angels on Australian boards was contrary to expectations and to previous findings, and suggested causes are discussed. Additional

contributions to knowledge from this thesis include contributions to the literature by extending Forbes and Milliken's model of board effectiveness to include additional conflict types and power dynamics, and adding to understanding of power in the boardroom.

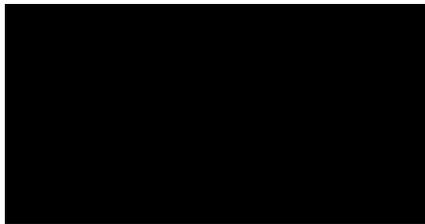
This thesis has also made a contribution to knowledge in the area of practice, in understanding how certain actors experienced interpersonal process, in suggesting certain cultural modes for startup boards in order for them to be more effective, and suggesting structural considerations when forming or changing a board, or for Chairs implementing internal processes.

Finally, the research has presented a novel approach to understanding startup boards through the use of critical discourse analysis to triangulate findings from phenomenological analysis, which adds both to the methodological literature, and demonstrates the value of discourse analysis to research in the field of corporate governance.

DECLARATION

“I, Michael Ernst Wildenauer, declare that the PhD thesis entitled *Angels, Entrepreneurs, & Board Effectiveness in Australian Startups: the influence of board member interactions on cohesiveness and task performance* is no more than 100,000 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work”.

Signature



Date 29/01/2019

DEDICATION

I WOULD LIKE TO DEDICATE THIS WORK TO MY FATHER, WHO HAD TO FORGO FURTHER SCHOOLING DUE TO THE REALITIES OF LIFE IN POST-WAR EUROPE, AND TO MY SON, WHOSE POTENTIAL FOR ACADEMIC ACHIEVEMENT HAS ONLY JUST BEGUN TO BE REALIZED...

ACKNOWLEDGEMENTS

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I would also like to acknowledge two other academic staff for their role in the development of the research ideas for this thesis. Dr Colin Higgins for sparking an interest in the theoretical side of corporate governance that led me to select this research topic, and also Dr Denis Nettle (dec.) for encouraging me to look beyond popular theories in business into what may lie behind. Dr Nettle also assisted in fostering a growing openness to using theory from disciplines other than the discipline of management, especially those of the social sciences. My first encounters with critical approaches, and with Lacan, Laclau and Zizek certainly expanded my horizons. The input and feedback of fellow doctoral researchers, and attendees at conferences and seminars also merit acknowledgement.

Of course, as I undertook a doctoral degree on a part time basis while working, my family has had to forgo my attention more than a little over this period. Putting up with absences during writing sprints when I sequestered myself down by the sea for a week at a time (thanks go to Tania for the venue), and when I was shut in my study for hours and sometimes days on end while trying to complete the writing of this thesis have been sacrifices that they have cheerfully made. My part time study of an MBA and then a PhD back-to-back has meant that my son Thomas has known little else but his father working on some piece of writing or other, and my wife Julie has uncomplainingly (mostly ☺) picked up the slack when I had an assignment due,

or a chapter to complete. Thank you both for your love, care and support over what can be a rather lonely and self-doubting journey.

Naturally, interview-based data collection cannot happen without interviewees, and I thank the participants in this study for giving me their time, and for their willingness to engage with the questions that were asked of them in a forthright manner. Despite some of them exhibiting surprise at the way their spoken words appeared in written form, they allowed me to use these to come to some understanding of their lived experiences. I should also mention in passing *The Bobiverse* (Taylor, 2017), for providing me a long list of pseudonyms suitable for interviewees from which to choose.

Finally, I would like to thank the examiners of this thesis, whose questions and suggestions for improvements made this work more readable and an altogether better research project than it otherwise would have been.

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KEYWORDS

angel, investor, founder, board, effectiveness, startup, venture, cohesiveness, performance, conflict, task, relationship, process, power, phenomenology, critical, discourse, IPA, CDA, Australia

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LIST OF ABBREVIATIONS

AAAI	<i>Australian Association of Angel Investors</i>
ABS	<i>Australian Bureau of Statistics</i>
ACRE	<i>Australian Centre for Rural Entrepreneurs</i>
AGM	<i>Annual General Meeting</i>
AICD	<i>Australian Institute of Company Directors</i>
AVCAL	<i>Australian Private Equity and Venture Capital Association Limited</i>
BAU	<i>Business as Usual</i>
CAQDAS	<i>Computer Assisted Qualitative Data Analysis Software</i>
CDA	<i>Critical Discourse Analysis</i>
CeBIT	<i>Centrum für Büroautomation, Informationstechnologie und Telekommunikation</i>
CEO	<i>Chief Executive Officer</i>
CIT	<i>Critical Incident Technique</i>
CTO	<i>Chief Technology Officer</i>
ED	<i>Executive Director</i>
EGM	<i>Extraordinary General Meeting</i>
EMBE	<i>Extended Model of Board Effectiveness</i>
ESVCLP	<i>Early Stage Venture Capital Limited Partnerships</i>
GDP	<i>Gross Domestic Product</i>
GERD	<i>Gross Expenditure on Research and Development</i>
IMO	<i>Input – Mediator - Output</i>
IMOI	<i>Input-Mediator-Outcome-Input</i>
ICS	<i>Intra-group Conflict Scale</i>
ICT	<i>Information & Communications Technology</i>
IPA	<i>Interpretive Phenomenological Analysis</i>
LSE	<i>London School of Economics & Political Science</i>
MBA	<i>Master of Business Administration</i>
MD	<i>Managing Director</i>
NED	<i>Non-executive Director</i>
PICF	<i>Participant Information & Consent Form</i>
SOE	<i>State-Owned Entity</i>
TMT	<i>Top Management Team</i>
VC	<i>Venture Capital/Capitalist</i>

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CHAPTER 1 INTRODUCTION

This thesis has investigated the way director behaviour on the boards of startup companies in Australia affects a board's ability to achieve what it needs to do for the sustainable benefit of the company.

The board of directors (or 'board') is the ultimate governance organ of a corporation or other organization similarly constituted, and exists to govern the company on behalf of its shareholders. Startups are early stage entrepreneurial businesses with ambitions for fast growth and massive increase in scale, usually by the application of novel technology, or of technology in a novel fashion. In addition to the entrepreneurial founders of the business, many startup boards have members who have invested their own capital in the early stage business, known as Angels, and who have often had entrepreneurial experience of their own.

Understanding the ways that founder and investor directors on startup boards interact is of major interest and importance because of the societal and economic impacts that startup organizations have had and can have. The corporate form of business is now ubiquitous in much of the world. Corporations provide services such as guarding military infrastructure, correctional facilities, social assistance, postal services, education, electrical generation and distribution, roads, rail and airports in many countries and across countries; all formerly the domain of governments. The technology platforms that now make up a part of daily life for billions of people, e.g. Google, Facebook and Uber, had their beginnings as startup companies. The market value of the largest corporations continues to soar, the very largest now have briefly exceeded one trillion US dollars (US\$1,000,000,000,000) in 2018 (Salinas, 2018), greater than the gross domestic product (GDP) of many countries including Switzerland and Turkey, and almost equal to the GDP of Australia (US\$1,323,421,000,000) at a similar time (The World Bank, n.d.).

Significantly, the only two companies to have broken the trillion dollar market capitalization barrier, Apple and Amazon, were both once high-technology startups; Apple with initial Angel (informal

venture investor) funding, and Amazon with venture capital funding. It is therefore important to gain a better understanding of this interesting type of corporate entity, and of the way that they are governed. This thesis has set out to contribute to this understanding by investigating the effects of interactions between individual venture investors (Angels) and founding entrepreneurs on the effectiveness of startup boards, that is, how well they are able to function to the benefit of the organization.

Past research into boards of directors of companies of all types has been overwhelmingly structural in nature, and oriented to theory that has a legal or economic pedigree, in spite of the many calls to consider the utility of theoretical lenses with other origins (Eisenhardt, 1989, Pye & Pettigrew, 2005, Roberts, McNulty & Stiles, 2005, Hambrick, Werder & Zajac, 2008), and to apply a behavioural focus to board studies (Hough, McGregor-Lowndes & Ryan, 2005, van Ees, Gabrielsson & Huse, 2009, Huse et al., 2011). The lack of behaviourally focussed board research in total explains the comparatively small number of studies situated in any particular context (Gabrielsson & Huse, 2004, van Ees, Gabrielsson & Huse, 2009, Huse et al., 2011), particularly in early stage boards.

Despite the significance of the startup company, and of the role Angel investors in providing early stage funding to them, the effectiveness of startup boards has not been thoroughly studied, and research output concerning entrepreneurs and venture capitalists has outstripped that pertaining to Angel investors. Given these gaps in the research literature, and the opportunities they provide for adding to knowledge of the behaviours of boards as groups, and the use of conceptual frameworks that consider the human elements rather than the economic, this thesis has taken as its starting point the boardroom interactions between Angel investors sitting on the boards of startups, and founders and management, and has sought to increase the understanding of the ways that these interactions contribute to cohesiveness, task performance board effectiveness.

To provide a balance for the comparatively greater number of studies informed by the experiences of entrepreneurs, in this thesis these boardroom interactions have been studied using the lived experiences of Angel investors on boards of Australian companies in which they have invested.

1.1 Purpose

“The board of directors is the fulcrum of corporate governance, the critical nexus in which the fortunes of the company are decided. At the beginning of a company’s life, the board often represents the DNA from which the company will grow and succeed.” (Clarke, 2017)

The wider purpose of this study has been to answer the call for more behavioural corporate governance research into boards, that is informed by theory that is not based in economics, and that is situated in a particular type of board context. More narrowly, the purpose has been to draw on the lived experiences of Angel (informal venture) investors’ board interactions in high-technology early-stage companies in Australia to determine behavioural factors influencing board effectiveness in these entrepreneurial firms. The results were then compared to existing research into the effects of group dynamics on board effectiveness in other contexts.

To that end, this research project has employed the constructs developed by Forbes and Milliken (1999) in their Board Effectiveness Framework as a starting point for understanding interactions and behaviours that influence cohesiveness and task performance, and through these, effectiveness. These influencers were given by Forbes and Milliken as task conflict, effort norms, and knowledge and skills. It is the contention of this thesis that these influencers can be augmented by the addition of the analogous process and relationship conflict processes, as well as of power dynamics, as these have been shown to have effects on cohesiveness and task performance of groups and teams.

Specifically, the objectives of this thesis were:

- i. to evaluate board interactions between Angel investors and founders to determine the actual patterns, types, dimensions and magnitude of conflict in terms of later updates to Jehn’s (1997) intra-group conflict scale (Jehn et al., 2008, Behfar et al., 2011, Shaw et al., 2011, de Wit, Greer & Jehn, 2012) and compare the effects on board cohesiveness and task performance predicted by these conflict models to Angels’ perception of the

importance of these interactions for both cohesiveness and task performance, and of the perceived level of board cohesiveness and the board's ability to perform its tasks.

- ii. to assess these interactions using the power relations model for non-executive part-time directors proposed by Pettigrew and McNulty (1998) to determine the patterns (sources, uses and exercise) of power within the board, and augment this with a critical discourse analysis of power and resistance (how power is exercised in certain situations) in these startup boards (Townley, 1993, McCabe, 2010, Hardy & Thomas, 2013). Additionally, to ascertain how these analyses accord with the Angels' perceptions of the actual decision making, strategic and service tasks of the board, and whether conflict and power dynamics engender more conflict.
- iii. to use these results to establish the role which conflict and power dynamics play in shaping the board effectiveness of high-technology early-stage companies in Australia.

1.1.1 Research Aims

The research aims of this thesis were to contribute to knowledge about the effectiveness of boards of directors in the specific context of early stage companies in Australia and of the ways in which this may differ from other business and geographical contexts, and respond to various calls for new knowledge in this area to utilize theoretical underpinnings from disciplines other than law and economics, and employ qualitative approaches, and focus on behaviour rather than structural issues (Huse et al., 2011). In particular,

- i. to extend the model of board effectiveness proposed by Forbes and Milliken (1999) to include relational and process conflict in addition to task conflict, as well as power dynamics as processes affecting task performance and cohesion, and thus board effectiveness
- ii. the overall aim is not to definitively determine characteristics, but rather to tease out some ways in which directors and director dynamics may differ in early stage technology firms

from those in other organizational contexts e.g. corporate or NFP, that have been much studied and for which theories have made predictions. The aim is to ascertain whether these findings hold for directors and boards in Australian startup companies too.

In order to achieve these aims and objectives, seven research questions, grouped under two major themes, were developed.

1.1.2 Research Questions

Research Q1. What do the interactions between Angels and founders mean for board effectiveness as predicted by existing group theoretical constructs of intragroup conflict and power relations?

- a. How is power experienced by the members of early stage boards?
- b. What does the way power is distributed across board members mean for the board's strategic and advisory roles?
- c. How does conflict manifest itself during Angel and founder interactions?
- d. How can this be interpreted in terms of importance to the board's task performance and group cohesiveness?

Research Q2. How does this differ from the Angels perceptions of board effectiveness, and from their perceptions of the meanings of interactions for board effectiveness for early-stage boards?

- a. How do Angels perceive the effectiveness of the board on which they serve?
- b. How do Angel investors see their interactions with founders affecting the board's ability to make decisions, guide strategy and provide advice?
- c. How do Angels understand the effect these interactions have on the social cohesiveness of the board?

1.1.3 Method

The research for this thesis has been conducted based on a qualitative approach to the analysis of data. This approach was chosen in order to achieve a more meaningful engagement than is likely using quantitative methods (McNulty, Zattoni & Douglas, 2013) with the phenomena to be studied, while

also allowing for co-creation of new knowledge by investigator and participant (Shaw, 1999). Data collection was undertaken by means of semi-structured interviews with Angel investors who met the inclusion criteria of board service and individual investment in a startup company. The transcribed interview data was first interrogated by means of Interpretive Phenomenological Analysis (IPA), which created initial themes that were iteratively revised, and then grouped into superordinate themes. A further analysis was then performed using Critical Discourse Analysis (CDA) to surface views, attitudes (both conscious and unconscious), and opinions relevant to the phenomena under investigation, as a method of triangulating the IPA results.

1.2 Definitions

Terms specific to the particular areas of discussion are defined when first used in this thesis. Several important terms that are used often in this work are also defined briefly below for the convenience of the reader.

Angel investors or Angels, are venture investors who invest their own or their family's funds directly in new, high growth businesses with which they are not otherwise affiliated, i.e. not their own or their family's business (Mason & Harrison, 1995), and are often looking to contribute their skills and experience to startup ventures, in addition to the investment of capital (Ardichvili et al., 2002). An Angel investor is an informal venture investor.

Cohesiveness can be thought of as “a dynamic process which is reflected in the tendency for a group to stick together and remain united in the pursuit of its goals and objectives” (Carron, 1982, p 124). Sometimes given as **Group viability** (Jehn et al., 2008, p 468).

Intra-group Conflict or “perceptions by the parties involved that they hold discrepant views or have interpersonal incompatibilities” (Jehn, 1995, p. 257) is widely considered to come in three varieties: task-related, relationship-related, and process-related conflict (Jehn, 1995, Jehn, 1997).

Power simply defined is the “ability to influence others” (Huse et al., 2011, p17).

Startup can be defined as “an emerging high-growth company that is using technology and innovation to tackle a large and most often global market” (StartupAUS, 2015, p. 10).

Venture Capitalist (VC) is a general partner in firms that raise capital from wealthy individuals and institutional investors (who are the limited partners in the funds) for the purpose of making investments in early stage companies. A VC is a formal, or institutional, venture investor.

1.3 Outline and Arrangement of the Thesis

This section outlines the contents and arrangements of subsequent chapters of the thesis. Chapter 2 through to Chapter 8 follow one of the standard approaches to the presentation of theses in this discipline in Australian universities, presenting in order; a literature review, context of and for the study, a conceptual framework for the research, the methodology employed, results obtained, a discussion of these results, and a concluding chapter. This is followed by references to works cited in the body of the thesis, and a series of appendices contain supporting documents and information. A more detailed discussion of this content and ordering is to be found below.

1.3.1 Chapter 2

This chapter contains a review of the relevant literature that has informed the study. It reiterates and further details the calls to set aside the agency perspective to leave room for more corporate governance studies of the behavioural, multi-theoretic type, particularly those studies investigating boards (eg, Eisenhardt (1989), Pye and Pettigrew (2005), Roberts, McNulty and Stiles (2005)), and to treat boards as groups (Petrovic, 2008). It goes on to survey previous work done in the area of behavioural approaches to board effectiveness in general and on startup boards in particular.

The literature review then examines extent research on what corporate and startup board roles and tasks are, and on the individual roles themselves. It goes on to consider whether viewing boards as groups or teams is justified by the literature, and research on the group processes of conflict and power. Works on power lead into a review of the works dealing with discourse in an organizational context, and through to an evaluation of studies of entrepreneurial discourse.

The next section of the review examines the way that team effectiveness has been dealt with in previous literature, and how this has affected thinking on board effectiveness. This section also introduces Forbes & Milliken's (1999) influential paper, which collapses the multitude of criteria for

understanding board effectiveness into two: cohesiveness and task performance. Literature on these two areas is then surveyed, along with works dealing with the effects of conflict and power on both.

The final sections of the literature review explore literature in the area of early stage ventures and their characteristics, and the actors pertinent to this thesis on their boards; that is, entrepreneurs and Angel investors. The findings for Angels and venture capitalists are discussed, and the information gaps for the former noted.

1.3.2 Chapter 3

Chapter 3 seeks to contextualize the study by situating the particular context of the entrepreneurial founders and Angel investors sitting as directors on the board of an Australian startup company in its broader socio-economic, political and discursive settings. There is currently a keen interest in ‘technologically disruptive’ startups, and the way that they have and are changing daily life (for example location-aware food delivery services and on-demand streaming entertainment) and the way that commerce is conducted. Entrepreneurs are treated as celebrities in the business world, and successful entrepreneurs as celebrities in the wider community.

However, despite the interest in becoming an entrepreneur, or in technological innovations, startups are often not noticed by the public radar until they either become successful (e.g. Amazon), made a very successful transition to being a public company (e.g. Atlassian), or have been purchased by one of the technology giants such as Google or Microsoft because of a technological innovation or market entrée they offer. Many more are and remain invisible to the general public, and the private investors in them are even less visible and understood except to those working in the startup ecosystem.

The early sections of this chapter provide background on early stage companies in Australia, their economic importance, and on Angel investors in them. The next sections deal with the political, social and regulatory context in which startups and investors are embedded, and a brief background on startup boards in Australia. The later sections of Chapter 3 seek to highlight the importance of

entrepreneurial discourse in Australia. This discourse informs the thinking of the general public as well as directors about founders and entrepreneurial companies.

Entrepreneurial discourse is explored at the various levels of the social realm, with examples provided to illustrate these. The discourse of Angel investors is also introduced, and an explanation provided as to the way this discourse and entrepreneurial discourse overlap and then diverge. A model argument is also provided which seeks to further unpack these discourses.

The final section of Chapter 3 argues for the practical relevance of research studying the interactions on Angels and founders on startup boards, given the importance of startups to the economy, and the importance of both founders and investors to fund and drive early stage companies to success.

1.3.3 Chapter 4

This chapter introduces the conceptual framework employed in this thesis. Broadly speaking there are two parts to the conceptual model. The first part has extended the Forbes and Milliken (1999) Board Effectiveness Framework by the addition of process and relationship conflict processes to the existing influencers (task conflict, effort norms, and knowledge and skills) on the components of board effectiveness; cohesiveness and task performance. This extended model also aimed to account for the influence of power dynamics on these components. These frameworks are displayed in diagrammatic form in the chapter at Figure 14 (base model) and Figure 17 (Extended Model of Board Effectiveness). In addition, the Board Power Framework developed by Pettigrew and McNulty (1998) has been used to provide an initial basis for the understanding power on boards, with the addition of power sources derived from other research by Peebles (2010) and Purdy (2012).

The second part of the conceptual framework employed in this thesis provides an alternate view of power constructs. A critical approach is not simply the employment of a particular method of analysis (in this thesis, critical discourse analysis), but requires a shift in epistemological viewpoint. As the

board of an early stage venture is the meeting point of various communities of professional practice, it is a place where discourse is contested and resisted, shaping knowledge and power.

Chapter 4 situates the work of the thesis within the bodies of literature identified in the review in Chapter 2 by surveying what has been done thus far, what remains to do, and where a suitable starting point for this work might be found. It has then examined in more detail specific processes of conflict and power, a framework for understanding power in a board setting, and has justified their inclusion in an extended model of board effectiveness based on the Forbes and Milliken (1999) framework. A later section discusses the place of the critical view in startup board research.

At this stage of the chapter, an explanation of the way that gaps in the existing research are to be addressed by the work of the thesis is provided, and the research questions that have arisen in response to these gaps presented. The conceptual framework has engendered several propositions that are presented at this point, along with the final model for understanding board effectiveness in startup businesses.

1.3.4 Chapter 5

Chapter 5 is concerned with issues of methodology. The first section discusses the research paradigm in which the thesis is situated. Previous positivist approaches to research in corporate governance have been attentive to structural detail, and have tended to ignore the interpersonal aspects (Hough, McGregor-Lowndes & Ryan, 2005, van Ees, Gabrielsson & Huse, 2009, Huse et al., 2011). The qualitative approach to research in this thesis seeks to collect data from primary sources, with the researcher as the 'instrument', and where the exact nature of the phenomena under study remains to be uncovered (Seamon, 2000).

The next section of the chapter discussed the criteria for inclusion for participants in the study, and has provided a justification for the choice of purposive sampling, and for the use of a small sample in qualitative research of this type. The difficulties in recruiting participants who belong to elite groups,

and are time-poor are also canvassed. Following these discussions, the method of collecting data from the participants was considered.

The theoretical framework presented in Chapter 4 has also shaped the choice of the type of data collected, and the way this was interpreted. This is a considered an orthodox approach in phenomenological research (Lopez & Willis, 2004). Semi-structured interviews of participants were held to collect data, then transcribed to text; the interview being the most prevalent method in qualitative corporate governance research (McNulty, Zattoni & Douglas, 2013). The semi-structured interview allowed for some guidance, while still affording the participant sufficient 'space' in which to tell their story. This section also discussed and justified the use of the Critical Incident Technique (CIT) to focus the interviewee's story.

Subsequent sections have addressed the data analysis techniques employed in this thesis in some detail. The first phase of analysis using Interpretive Phenomenological Analysis (IPA) is described, justified, and discussed, followed by similar presentation of Critical Discourse Analysis (CDA) for the second phase of analysis. A brief discussion of the software tools used in the analyses followed.

The final sections of Chapter 5 consist of discussions of the suitability of the chosen methodology for the research task for which they are employed, the way that quality should and can be judged for qualitative research as opposed to quantitative, and ethical considerations in completing the research project. To close out the chapter, a reflection on the difficulties in the recruitment of sufficient numbers of participants, and particularly of female participants has been given, and speculation that this is one likely cause for the relative paucity of studies of Angel investors offered.

1.3.5 Chapter 6

This chapter presents the results of the two forms of analysis, phenomenological and discursive, in two separate parts. The first section contains a presentation of demographic data collected from participants, presented alongside a brief analysis of data on the individual, the company, and its board.

Following this, the interview questions utilized in data collection are discussed, with the role of the Critical Incident Technique (CIT), employed in order to sharpen recollections of lived experiences (Chell, 2004), highlighted.

In Part 1 of this chapter, the results from a phenomenological analysis of each investor, company, board combination has been presented as a separate case, presenting an interpretation of the way that the investor experienced their interactions with other board members, in terms of power dynamics and the three types of intra-group conflict (task, relationship & process), and how they felt about the task performance, cohesiveness and overall effectiveness of their board. These cases are followed by a presentation of themes identified in these cases, and the way in which these themes after several coding passes have been grouped in to a set of five superordinate themes that reflect the lived experiences of the Angel investors.

In Part 2 the results from a cross-case analysis using a critical discourse analysis approach are introduced, exploring discourse at the levels of society, discursive practice, and the text. At the meso-level of discursive practice several discursive themes are identified, and similarly to the previous section, grouped together. Several examples of each sub-theme are presented in these sections. In the final sections of Chapter 6, some observations about word choice are made and presented in graphical form.

1.3.6 Chapter 7

In Chapter 7, an interpretation of the results of two analyses performed on the collected data, one using the IPA (Interpretive Phenomenological Analysis) and one CDA (Critical Discourse Analysis), is expounded. A discussion of the way in which these results address the research questions developed to fulfil the aims of this research project gives context and form to the results obtained from analysis, and translates these into findings, propositions, and recommendations for board practitioners and for the direction of further research efforts in related areas.

The discussion has been structured by the phenomenological analysis to closely match the format of the research questions, which seek to explore behavioural dynamics affecting board effectiveness in startup companies in Australia, and to compare these to results from the literature derived from other organizational contexts. Insights derived from discourse analysis have been included in the discussion of results to highlight areas where these have reinforced or disconfirmed the phenomenological results, or where they have illuminated new understandings entirely.

After a review of propositions predicted by the theoretical model developed in Chapter 4, the chapter presents a series of critical reflections by the author on assumptions and biases that they may have brought to the research in this thesis, In order that the reader may better make their own interpretations of its contents. The subsequent sections address each of the research questions and impart findings relevant to that question, in addition to a summary of findings from the analyses, and deriving from the demographic data.

The remaining sections of Chapter 7 deal with sixteen propositions derived from the analyses in this study. They may form the basis of future research, as the results suggest that these propositions may in fact better represent lived experience of Angels on the boards of startup business in Australia and perhaps elsewhere than existing literature.

1.3.7 Chapter 8

The final chapter of the thesis summarizes the findings presented in preceding chapters. They are evaluated in relation to their contribution to knowledge in terms of literature, methodology, and practice, of corporate governance, particularly in early stage venture boards; to their contribution to knowledge of conflict processes and power dynamics on boards; and contribution to knowledge of the role of venture investors on startup boards, of entrepreneurial enterprises and informal investors in them.

Arising from findings that contribute to practice, a series of actionable recommendations for board practitioners is given, followed by a discussion of the limitations of the research conducted for the thesis, and recommendations for a further research agenda.

1.3.9 References and Appendices

There are five appendices found after the reference list of works cited in the body of the thesis. These appendices contain, in order, the Participant Information & Consent Form (PICF) for this research; ethics approval for this research granted by the Human Research Ethics Committee of Victoria University; a complete list of interview questions; a map of the concepts under investigation to the relevant interview questions; a series of tables containing supporting quotes for the discourse analysis that were too large to include in the body of the thesis; a list of recommendations for practitioners arising from the synthesis of existing research findings, and the findings of this thesis; and a list of propositions consolidated from Chapters 4 and 7.

CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

“Understanding the nature of effective board functioning is among the most important areas of management research on the horizon” (Forbes and Milliken, 1999)

In order to ground the theoretical context of the research, the aims and objectives of which were introduced in Chapter 1, it is necessary to gain an understanding of the work that has gone before, in those areas of the academic literature which may touch on the concerns of the proposed study. To this end, this chapter undertakes a survey of the literature of boards and board behaviour, board effectiveness and its components, boards as groups and teams, and of processes such as power and conflict to which groups are subject. It also reviews the body of relevant extant work on early stage businesses and the actors on the boards of these organizations. As a result of this review, lacunae and opportunities for extension of theory present themselves for further research. A diagrammatic depiction in Figure 1 (below) of the relationship between the bodies of literature considered in this research presents a map of the manner in which the literature review proceeds.

While the structural properties of boards have been much used in examining board effectiveness, they are probably not sufficient for a complete understanding of the concept; the way boards work as groups is equally as important, as boards are subject to the same psychosocial processes as are other groups (Petrovic, 2008). Many authors have stressed the need to look outside of ‘input-output’ studies based on the agency perspective to try to understand the behavioural aspects of boards (Hough, McGregor-Lowndes & Ryan, 2005, van Ees, Gabrielsson & Huse, 2009, Huse et al., 2011), and have advanced the use of multiple theoretical lenses to examine complex phenomena in organizational research in general, (Hassard, 1991, Lewis & Grimes, 1999, Okhuysen & Bonardi, 2011), and specifically in investigating the workings of boards (Eisenhardt, 1989, Pye & Pettigrew, 2005, Roberts, McNulty & Stiles, 2005).

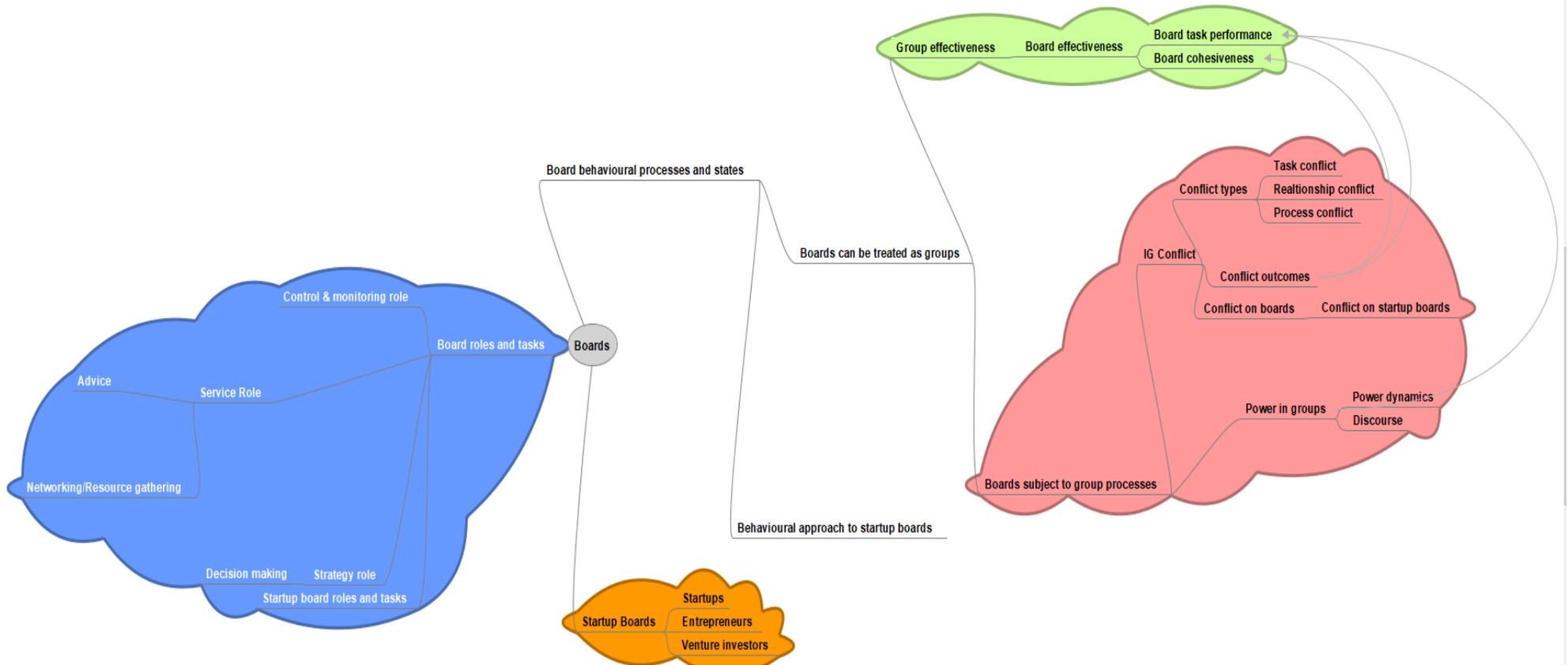


Figure 1 Conceptual Map for Literature Review

It is essential that board studies be situated in a particular context, as not all boards, or even types of boards, function in the same manner, and behaviours and processes may in fact change according to the stage of the company's development (Gabrielsson & Huse, 2004, van Ees, Gabrielsson & Huse, 2009, Huse et al., 2011). One such board context is that of entrepreneurial high technology startups, which is an economically important and interesting class of company, and one in which boards may have more influence on company performance than would otherwise be the case (Hambrick & Abrahamson, 1995).

A central relationship on the boards of many high-technology early stage companies is that between founders and the informal venture investors known as Angels. As capital sourced from debt financing or from funds managed by venture capitalists (VCs) is often unavailable to early stage companies, Angel investment can be key (Hindle & Wenban, 1999, Avdeitchikova & Landström, 2016); In the US, Angel investors rank second only to family and friends as a source of funds, and contribute an order of magnitude more funding to early stage ventures than venture capitalists (Morrissette, 2007). The working relationship between the entrepreneurial founders of a startup and the Angel investor(s) on the board is thus a significant aspect of the governance of this class of company, despite the scarcity of research in this area.

2.2 Behavioural Approach to Boards and Board Effectiveness

In a widely-cited review of research on boards, Gabrielsson & Huse (2004) set about classifying empirical board studies published in six prominent management journals from 1990-2002. They found that a large majority, 99 of 127, or 78%, of these were what they termed input-output studies that considered board structure in terms of insider/outsider ratios, director ownership stakes, board size and CEO/Chair duality. Gabrielsson & Huse (2004) found that only 5% of studies were behavioural in nature (investigation of actors, processes, and relationships etc.).

A more recent study found still only 10% of studies to be 'behavioural' (high focus on behaviour), while those works situated in the 'evolutionary' quadrant (situated in a particular context, with high focus on behaviour) comprised only 2% of studies (Huse et al., 2011). While the number of behavioural board studies has increased, the lack of research that seeks to understand the effects of interpersonal dynamics on board effectiveness has been noted, and a call to consider boards as teams made, as recently as 2018 (Francoeur et al., 2018).

Roberts, McNulty & Stiles (2005) championed accountability as a superior basis for challenging the supremacy of agency theory in board studies in their widely cited article, in which they drew attention to director behaviour and asserted that structure "conditioned rather than determined" effectiveness (Roberts, McNulty & Stiles, 2005, p. S11). Moreover, they promoted the view that an understanding of the dynamics of group and individual interactions was important to the field, although in that paper there is a rather narrow focus on interactions between non-executive and executive directors.

The theoretical plurality which Roberts, McNulty & Stiles (2005) espoused was taken up by authors such as Pye and Pettigrew (2005) who, in an influential critique, suggested an even wider look at how boards work, and contended that the work of Roberts, McNulty & Stiles (2005) needed to be expanded across various firm contexts such as size, stage of life, ownership profile and regulatory environment to answer the questions of whether the meaning of board effectiveness differs between board contexts, or changes with time (or both). They also questioned the focus of analysis in this research, as it was difficult to determine whether data or analysis pertained to group effectiveness or

individual effectiveness (Pye & Pettigrew, 2005). Such criticism of the lack of level clarity would seem, however, to also apply more generally in the behavioural approach to board effectiveness.

Hambrick, Werder & Zajac (2008) divided board behaviour into two distinct categories. They characterized behavioural structure as pertaining to the questions of who has and does not have power and influence within the boardroom and why this should be; and characterized process as directors' biases and motivations, and understanding how boards make decisions. Board behaviour and process manifest themselves in various ways, and have been investigated in terms of board recruitment, board contribution to strategy, conflict, group dynamics, emotions, problem solving, and culture, in addition to their direct effect on firm performance and as mediators between formal structure and firm performance.

Gabrielsson & Huse (2004) wished to see research move away from what we already know about boards, to what we do not, and exhorted researchers to pay more attention to behaviours and processes of boards to help understand how boards actually work. Others however, warn that processual studies need to improve the weak presentation of theoretical frameworks to be taken more seriously (Huse et al., 2011). Some, such as Hambrick, Werder & Zajac (2008), call for approaches other than those based purely on legal and economic theories to be used in corporate governance research.

They suggest that one reason for the mixed results of board effectiveness research is the failure to take account of the human element. Van Ees, Gabrielsson & Huse (2009) echo this call to delve deeper into the actual (rather than idealized) behaviours of boards to understand their decision-making, and suggest that this focus on intra- and inter-group interactions and processes will be also more useful to governance practitioners. Research that investigates directors as ethical agents, for example the work on the individual virtue of authenticity of directors by Steckler and Clark (2017), has helped fill in some of the gaps in the understanding of the way that behavioural dynamics affects decision-making and board effectiveness.

It is worthwhile examining some of the challenges in studying board behaviour identified in the literature, and the effect these difficulties have had on research into board effectiveness. While it has

been acknowledged by several authors that determining board effectiveness by inspecting publicly available data and archival sources is of extremely limited value (Gabrielsson & Huse, 2004, Leblanc, 2007, Leblanc & Schwartz, 2007), access to boards to directly observe and interact with them is problematic due to issues of secrecy and confidentiality, access to closed social groups, the elite status of many board members, and fear of legal action by shareholders against the board should certain types of information leak into the public arena (Pye & Pettigrew, 2005, Leblanc & Schwartz, 2007, Brauer & Schmidt, 2008, Payne, Benson & Finegold, 2009, Huse et al., 2011).

It is therefore perhaps not altogether unsurprising that many researchers have chosen to rely on readily available secondary data from stock exchange and regulatory filings on structure and firm performance, and have chosen a positivist, agency-based approach to investigating board effectiveness. There are some authors however, who have demonstrated that direct access to boards is possible. Roberts, McNulty & Stiles (2005), as part of the Higgs Review; LeBlanc & Schwartz (2007), who had access to interview some directors through LeBlanc's networks (although not to an entire board group); Brundin & Nordqvist (2008), who sat in on board meetings in their study of emotions; and Bezemer, Nicholson and Pugliese (2013), Bezemer, Nicholson and Pugliese (2018) who have actually managed to videotape board meetings in several companies; but these seem to be special cases and not representative of the bulk of board studies.

Bezemer et al.'s relatively recent research in an Australian corporate setting has shown that direct observation of board meetings surfaces quite nuanced differences in practice despite adherence to identical guidelines, regulations and best practices (Bezemer, Nicholson & Pugliese, 2013). This research also found differences in individual behaviour, for example levels of contribution, within the same board meeting as agenda items (and tasks) changed. The authors suggest that characterising boards as active, passive etc. maybe glossing over this complexity (Bezemer, Nicholson & Pugliese, 2013).

However, there would seem to be a need to find better proxies for board processes, or other ways to shine a light on them indirectly, as it is in most cases difficult to observe them directly. It may be

valuable, for example, to use more accessible analogous bodies such non-profit committees of management or advisory committees as analogues to for-profit boards in investigating certain aspects of effectiveness, even though it may be difficult to determine which aspects of board behaviour are generalizable, and which are contingent.

Leblanc (2007) took up Gabrielsson & Huse's (2004) theme in his work on assessing board effectiveness, where he dismissed much of the agency-based structural approaches as being lazy, and disputed that any direct causation between structure of the board and corporate performance has been proven, and such positivist approaches may anyway not be at all helpful. Rather, he asserted that an approach that views governance as social interactions as part of a system including social constructs of director reality is a useful and pragmatic alternative. Leblanc's definition of board effectiveness is one based on group decisions and group actions (or failures to act); thus, it would seem reasonable that to understand board effectiveness, an appreciation of the roles of boards is necessary.

2.2.1 Behavioural Approach to Startup Boards

Agency theory has little to say about the investor/founder relationship when their goals are fully aligned (Arthurs & Busenitz, 2003), and the high levels of psychological ownership of entrepreneurial founders in their venture further drives this goal alignment since the entrepreneur's interests largely coincide with the organization's (Townsend et al., 2009). As at least some of the motivations of Angels are non-economic, more than half have significant non-financial motivations according to Morrissette (2007), the principal-agent relationship in agency theory is anyway inadequate to understand these interactions, and the conflicts that may arise from them (Hambrick, Werder & Zajac, 2008, Roberts, McNulty & Stiles, 2005). Some research has cast doubt on the applicability of agency theory at all to the Angel/founder relationship (Osnabrugge, 2000, Hambrick, Werder & Zajac, 2008).

Given the centrality of this relationship to this category of organization, an agency theory approach may thus not be suited to the study of early stage ventures. Stewardship theory is equally inadequate for understanding the Angel/founder relationship as it requires the manager (entrepreneur) to subordinate his or her own interests in a venture in which he or she has a large financial and

psychological stake, to the interests of the investor (Arthurs & Busenitz, 2003). Neither agency nor stewardship theories can be said to properly describe the ‘lived experiences’ of Angel investors on boards (Roberts, McNulty & Stiles, 2005), thus a behavioural approach would appear to offer more in understanding the workings of startup boards.

2.2.2 Summary - Behavioural Approach to Boards

The preceding literature points to the need for more corporate governance research to be broadly behavioural rather than structural in approach and to seek to employ theoretical underpinnings that do not derive from economic or legal traditions, as to do other would miss the human element. Moreover, new research that investigates individual behaviours and interpersonal behavioural processes, and that relies on primary data has been encouraged. In the particular context of startup boards, the use of behavioural approaches would seem especially beneficial given that more traditional approaches may be unsuitable and therefore it is this general approach that informs this research project on board effectiveness.

2.3 Board Roles and Tasks

In the economic and legal tradition of the study of boards where agency theory provides the guiding principles, the monitoring or control role of the board is prime, and is often asserted to be the only role with which the directors should concern themselves (Fama, 1980, Roberts, McNulty & Stiles, 2005). However this traditional role of the board, with its associated fiduciary duties, is in reality, according to a range of authors who do not share this strict interpretation, variously supplemented by a service role (Nielsen et al., 2008); service and strategic roles (Levrau & van den Berghe, 2006); service, strategy and resource provision roles (Ong & Wan, 2008); service, strategic, and legal roles (Kim, Suazo & Prescott, 2008); and threat and opportunity scanning, resource provision and service roles (Lawler et al. as cited in Murphy & McIntyre, 2007).

Ravasi and Zattoni (2006) have advocated the view that where highly divergent interests exist on a board (e.g. representing several large competing organizations which have between them a majority stake), an additional board role may exist where the board provides a forum for negotiating consensus between competing interests: this serves to address the principal-principal rather than the principal-agent problem. It has been suggested that all the aforementioned board functions may be more or less salient depending on contextual factors (Ravasi & Zattoni, 2006), though all involve the performance of complex tasks which require decision-making to produce cognitive output (Forbes & Milliken, 1999).

2.3.1 Startup Board Roles and Tasks

The literature tells us that startup boards do not perform the monitoring role to any great extent, in contrast to corporate boards in more mature, later stage organizations; because they are technology focussed and small (Sánchez, Guerrero-Villegas & Hurtado Gonzalez, 2017) or perhaps because the agency problem may not be seen to be the most pressing in the context of high technology early-stage boards (Zhang, Baden-Fuller & Pool, 2011). Rather the service and strategy board roles (Levrau & van den Berghe, 2006, Nielsen et al., 2008, Ong & Wan, 2008) come to the fore. In fact it has been posited that board tasks evolve in a predictable pattern as the organization goes through different

stages (Huse & Zattoni, 2008) or as they pass through lifecycle thresholds, e.g. founder-as-manager to Initial Public Offering or IPO (Filatotchev, Toms & Wright, 2006), and that early stage boards typically focus on 'legitimacy' tasks (with banks, prospective customers etc.) in the very early phase and then move on to advisory, strategic and service tasks a little later in the company's lifecycle (Huse & Zattoni, 2008).

In a slightly different characterisation of board functions, Filatotchev, Toms and Wright (2006) proposed that governance roles moved from low monitoring/high resource/high strategy (with the objective of wealth creation) in early stage companies, to medium monitoring/medium resource/high strategy (with the objective of wealth protection) at the IPO stage.

In a study of UK companies of this type, Zhang, Baden-Fuller & Pool (2011) found that directors spent considerable time on resource gathering and strategizing activities, and could even be considered as an extension of the management team. This 'management' behaviour has also been observed in other studies, such as Ravasi and Zattoni (2006). These directors also spent time mentoring and coaching the top management team.

More specifically, Graebner & Eisenhardt (2004) also concluded that Angel investors spent effort supporting strategy-making rather than monitoring the founders. This difference in board role, and in associated tasks, means that those interpersonal interactions between directors and managers important to board decision-making and the board's strategy-making processes assume a greater significance in early stage boards than in more mature organizations.

2.3.2 Board Advisory or Service Role

The service role, where the board provides advice, help and resources to the CEO and top management team, along with the strategic role, are seen as just as important if not more important than the control role for many authors viewing board effectiveness through the perspective of behavioural process or behavioural structure (Levrau & van den Berghe, 2006, Kim, Suazo & Prescott, 2008, Nielsen et al., 2008, Ong & Wan, 2008). Under the resource dependency perspective,

the service role of the board is concerned with scanning the environment for threats and opportunities, securing resources and representing the company in the wider community (Zahra & Pearce, 1989).

However the characterization of this role given by the authors of this review of the role of boards in corporate financial performance that has been cited by other researchers (e.g. Hillman and Dalziel (2003), Knockaert and Ucbasaran (2011)) is "enhancing company reputation, establishing contacts with the external environment, and giving advice and counsel to executives" (Zahra & Pearce, 1989, p. 292), although the authors themselves point out that this is how the service role may be seen from a *legalistic* perspective (as opposed to a resource dependence or critical point of view).

In early work on resource dependency Pfeffer and Salancik asserted that the very survival of the firm was subject to the ability of the TMT to manage resource dependencies (Pfeffer & Salancik as cited in Knockaert & Ucbasaran, 2011), and that boards could assist by way of providing advice, legitimacy, a communications channel to external organizations, and garnering support from or providing access to external organizations or individuals (Pfeffer & Salancik as cited in Hillman & Dalziel, 2003). The advisory board role has been linked directly to firm performance: "board members absorb environmental uncertainty by providing information, thus enhancing company performance" (Zahra & Pearce, 1989, p. 297).

This relationship between firm performance and the board's advisory role may be particularly important for early stage companies. Research has shown that high technology startups that are lacking in technology resources and experience in research and development (R&D), and/or whose founding teams have very similar backgrounds are likely to benefit from the service role of the board (Knockaert & Ucbasaran, 2011). It is unclear just what percentage of high technology startups actually lack R&D experience (for example Filatotchev, Toms and Wright (2006) had a sample of early stage firms in the UK where all had at least one founder with such experience), but as there are incubators that cater especially for startups who lack technology expertise (e.g. Blue Chilli in Australia), the fraction would appear to be non-trivial.

The composition of the board in terms of firm knowledge and diversity of experience has been shown (in a Norwegian context) to have a positive effect on the degree of involvement of the board in the advisory tasks in small companies (Minichilli & Hansen, 2007), lending credence to the notion that the board may play a ‘fill-the-gaps’ role in early stage firms.

Some early-stage organizations have set up advisory boards separate to the ‘official’ board to perform essentially this role and at least one study has investigated their effectiveness (Morkel & Posner, 2002). This study found that advisory boards (in the context of Silicon Valley companies) may perform as a shadow board, or provide mentoring to or advise the CEO, assist in resource acquisition (networking), act as a future focused ‘think tank’, or (and least favoured by both the CEO and advisory board member respondents) had no real role other than to lend their names to the company for use in promotional and fund-raising material (Morkel & Posner, 2002).

While advisory boards may have no official decision making powers or prescribed duties under the US system, and may therefore be more attractive to potential members than a board in a risky business, the ambiguity inherent in the Australian definition of Company Officers ("Corporations Act (Cth) 2001", 2001) means that unless their role is carefully defined, they are likely to also be subject to corporate governance regulations and may be subject to fiduciary duties to the company in the Australian context.

The Morkel and Posner research conducted more than a decade ago (2002) reached no definite conclusion as to the effectiveness of advisory boards, and the debate continued in the practitioner literature, with Steve Blank (for) and Brad Feld (against) being two notable examples (Feld & Ramsinghani, 2013).

2.3.3 Board Decision Making

Board decision making of all kinds has been much described, but not well understood, according to Van Ees, Gabrielsson & Huse (2009). This lack of understanding may be because of the tendency to

view decision making by a group such as a board as a series of rational steps, and not as Van Ees, Gabrielsson & Huse see it: affected by shared beliefs, experiences, past behaviours, current and past power balances and relationships; in addition to externalities such as the life-cycle stage of the firm. In their view it is precisely the competencies and problem-solving abilities of the individual directors, developed in careers outside of the board, that support boards in making decisions (especially strategic decisions), because of decision-making heuristics that they can apply to resolve uncertainty and complexity (van Ees, Gabrielsson & Huse, 2009). A degree of diversity in these outside careers was also found to be of value in a study of Spanish businesses, as it increased the likelihood of the board being involved in strategy (Barroso-Castro, Villegas-Periñan & Dominguez, 2017)

There is a view promoted by some authors that boards do not in reality make a series of rational decisions at all, but rather that they problem solve, using heuristics and problem-solving models and routines which they have developed individually and as a group, and stop the problem search when a satisfactory (rather than optimal) solution is found, an approach known as satisficing (van Ees, Gabrielsson & Huse, 2009, Huse et al., 2011).

This type of decision-making, although adaptive, may because of the use of heuristics lead to biases, though these biases may then be overcome by the use of learning, according to Huse et al. (2011). Shared mental models (shared concept of the task, and of individual roles) are generally thought to lead to better group choices and greater group efficiency (Mathieu et al., 2000, Kerr & Scott, 2004).

Many decisions made by boards fall into the category of 'moderately judgemental' tasks, as the problem may not have a demonstrably correct answer at the time the decision is made (but may have a correct answer in hindsight). After a number (relatively few) of such tasks, a group such as a board may begin to recognize the expertise of a particular individual (Tajeddin et al., 2012). As this expertise is recognized, the group may change from a decision-making scheme where all members have equal influence, to one where the expert has greater sway (up to seven times greater influence than other individuals was indicated in this study).

Tajeddin et al. (2012) also found that this greater influence is larger where the difference in expertise between the expert and the other group members is relatively greater, no matter the actual level of expertise. One limitation of this research is that these results may be moderated by power differentials within the group, as the study used groups of individuals with like power (Tajeddin et al., 2012). Decision processes on boards where individuals decide who to trust, but also whether the decision affords power to the 'right' power block and furthers the 'right' agenda have been characterised as 'politicism' by (Cutting & Kouzmin, 2002).

Understanding the decision-making task of boards also requires them to be treated as groups affected by current and past power balances and relationships (for example the examination by Peebles (2010) of agenda setting for board decision-making, where the passive acceptance of agendas set by dominant coalitions was both the norm, and remained unquestioned by other directors) and by the developmental stage of the firm (van Ees, Gabrielsson & Huse, 2009).

These processes could in turn be influenced by reputation, public pressure and past decisions (Kemp, 2006). Pugliese et al.'s (2009) suggestion that such cognitive and behavioural approaches could and should be improved by expanding them across various firm contexts would however seem to have practical difficulties given the research difficulties inherent in research on boards.

Whenever decisions are made by a group, the potential for conflict exists, which can however be creative as well as destructive. Moderate levels of task or cognitive conflict, where directors have different approaches and question the assumptions and views of others can lead to synthesis (Kemp, 2006) and the discovery of creative solutions (Petrovic, 2008). This task conflict is driven by the diversity of the board members according to Petrovic (2008), and so a balanced board is optimal.

On the other hand Petrovic asserts that too much diversity can lead to relationship conflict due to lack of group cohesion, which is unproductive given the constraints on board decision timeframes. Minichilli, Zattoni & Zona (2009) contend that cognitive conflict is essential to the quality of critical debate on boards, and that in turn is vital for the control, strategy and service roles of the board (although these last preferred a slightly different taxonomy of board roles).

The Ong & David (2008) process model, in which socio-psychological processes directly affect firm performance, also characterizes task conflict as having a positive impact while Levrau & Berghe (2006) make the link between cognitive conflict that drives debate and board effectiveness explicit; The authors quoted the opinion of multiple board members in the study to support this view (which findings are strongly supported by respondents in Kemp (2006)), while also positing that cohesiveness (inversely correlated with relationship conflict by Petrovic (2008)) was a necessary condition for effectiveness.

In boards where both low cognitive and low relationship conflict exist (due to homogeneity), the consequence can be groupthink, one of a class of group processes that inhibit good decision-making (Hambrick, Werder & Zajac, 2008). Consequences of groupthink are the exclusion or sidelining of those with differing opinions, a feeling of group invulnerability and moral rectitude, and an inability to see the complete solution set (Rost & Osterloh, 2008). If the concept of bounded rationality is accepted, then this last (identifying the complete set of solutions) is not possible in any case, but perhaps the bounded rationality of the group may be seen as a lowest common denominator set of individual bounds.

Janis (cited in Petrovic (2008, p. 1378)) characterized this as “subconsciously censor[ing] ... any information inconsistent with what is preferred”. Rost & Osterloh (2008) posited that groupthink affected boards will tend to make incorrect decisions where there is uncertainty or crisis, which would appear to be precisely the moments when boards need to be the most effective in control, service and strategy roles.

The contribution of psychology to the relationship of conflict and decision-making by boards is outlined by Hough, McGregor-Lowndes & Ryan (2005), who cover two psychological approaches to board effectiveness; small-group effectiveness, which seems to agree with authors in business disciplines such as (Kemp, 2006) and (Petrovic, 2008) regarding the value and consequences of board conflict; and psychoanalytic theory which may lead to some deeper understanding of the way boards

deal with conflict, but which may not be readily accessible to practitioners or scholars not versed in psychodynamics.

2.3.4 Board Strategy Making Role

There is some debate around the role that boards play in the making of strategy, there being “little theoretical and empirical agreement regarding the question of how boards of directors contribute to strategy” (Pugliese et al., 2009, p.292). There seems as little agreement on the roles that boards *should* play. Indeed governance practice, which is largely oriented to agency theory, would seem to prohibit board involvement in strategy except in a control and monitoring sense, whereas other theoretical approaches such as stewardship, resource dependency and behavioural, tolerate or encourage board support of the strategy process to a greater or lesser extent (Pugliese et al., 2009).

Much of the past research on boards and strategy has been based either on the strategic choice approach (what board members are able to contribute to strategic decisions) or on agency theory (how to prevent management from using strategy to further their own interests rather than that of the owners), though both approaches would seem to have limitations in their ability to describe the detail of strategic decision-making inside the boardroom (Ravasi & Zattoni, 2006). Pugliese et al. (2009), in their content analysis of previous research on boards and strategy, however noted that research had developed from that of a normative or structural nature to embrace cognitive and behavioural approaches to the subject. These authors also called for future studies to examine contextual factors, and to incorporate alternative methods in order to better understand the role of board dynamics on strategic decision-making.

In his study of the contributions of boards to strategy in listed US corporations, Stiles (2001) found that in larger organizations, boards typically set the parameters for strategy, but did not participate in strategy-making *per se*. They could however contribute in other ways including gatekeeping to ensure that strategy stayed within those parameters and to set the context for strategy-making. This research also found that directors could contribute their knowledge of other domains to strategy discussions

and in the early stages of the company even determine the business that it was in and set strategic vision and mission.

In the context of high technology startups, Bjørnåli, Erikson and Knockaert (2011) found that boards became more involved in strategic decision-making when the TMT (top management team) had difficulties in this area, and that the board's involvement mediated the relationship between TMT diversity (and hence diversity of views) and the TMT's effectiveness by engaging in strategy-making (but had no effect on TMT cohesiveness). Research which investigated boards of venture companies with VC board members reinforced the concept that earlier stage boards have a more important strategic role than others, as it found that such boards typically have greater involvement in both the formation and evaluation of strategy than later stage boards (Fried, Bruton & Hisrich, 1998).

Effectiveness in terms of the strategic board role was considered in the Australian context by Kemp (2006) who found that boards could be viewed as groups, were subject to group processes such as conflict, and that the quality of interactions between directors was important to the strategic board role. Brauer & Schmidt (2008) used the proxy of resource allocation vis-à-vis stated strategy gleaned from archival data to try to understand the effectiveness of the board in its strategy role, but this was situated in a highly specific context of a single Swiss multi-national, and used secondary data. There was also a question around the 'meaning' of the proxy relationship. Nevertheless their findings that boards should have continuous rather than sporadic involvement in strategy (Ravasi and Zattoni (2006) indicated only episodic involvement in strategy for the average board and Stiles (2001) found many boards of larger companies only set parameters for strategy), by continuously examining the firm's resource allocations, seems to have some practical value.

The strategy-making role may be one structural area in which a strong, effective and independent board may make a difference to firm outcomes, as it would be able to prevent domination of the strategy process by the CEO. This is in contrast to a combine CEO/Chair role where the CEO may be able to just present strategy to the board for ratification (Kemp's "rubber stamp" (Kemp, 2006, p. 1)). This also accords with the model which suggests that when directors participate in strategic decisions

more relevant information is collected to enable the decision, a greater diversity of conceptual models is used to interpret the situation, and there is more likely to be consensus building around the choice of 'best' solution (Rindova, 1999).

2.3.5 Summary – Board Roles and Tasks

Effectiveness is contextual; it depends on the roles or tasks required. The literature tells us which roles and tasks boards do or should perform; these are usually given as variants of service or advisory roles, decision making, strategy making, and control and monitoring roles. The control and monitoring roles and tasks have however been found to be of diminished importance in startup boards. Accordingly, the other roles have been held to be of relatively greater importance for the boards of startup businesses, and thus the literature concerning these roles and tasks has been explored more thoroughly for the purposes of this research.

The finding that board decision making is dependent on multiple factors such as behaviours, power balances and relationships in addition to structural issues (Van Ees, Gabrielsson & Huse 2009), provides further validation for a behavioural approach to studying board effectiveness, as does the close connection between groups making decisions and task conflict. It is also a role where differing approaches and personalities may lead to other types of interpersonal conflict, and where even lack of conflict altogether may be seen as problematic (Hambrick, Werder & Zajac, 2008), so a focus on conflict on startup boards is indicated.

2.4 Boards as Groups

The definition of what constitutes a group may be constrained in some disciplines, however across the social sciences domain more generally it is usual to define the properties of the group under study and then explore how those characteristics affect group dynamics. While some disciplines focus on the individual within the group, others concern themselves with constructs within which the actors operate (Sell et al., 2004). Boards may be considered to be decision-making groups that are elite and sporadic in nature, and are subject to group level constructs such as effort norms (Forbes & Milliken, 1999, Bailey & Peck, 2011) power dynamics (Pettigrew & McNulty, 1998, Hambrick, Werder & Zajac, 2008, Peebles, 2010, McNulty et al., 2011) and intra-group conflict (van Ees, Gabrielsson & Huse, 2009).

Board effectiveness studies where the boards are explicitly treated as groups have been relatively scarce to date, with some exceptions such as research on group decision-making bias on boards (Zhu, 2013), a conceptual paper by Murphy & McIntyre (2007), several papers on boards as teams (Payne, Benson & Finegold, 2009, Vandewaerde et al., 2010, Vandewaerde et al., 2011b, Vandewaerde et al., 2011c) and one in the context of not-for-profit organizations (Hamm-Kerwin & Doherty, 2010). While board effectiveness has often been viewed in terms of the distal (further removed) outcome of firm performance, Forbes & Milliken (1999) characterise board effectiveness as having two dimensions, task performance and cohesiveness, which map to the small group theory concepts of group performance and group maintenance.

While little work has been done on early-stage boards with Angel investors using group theoretical constructs, findings on VCs (venture capitalists) on such boards and in the managerial literature (e.g. Finkelstein, 1992, Yitshaki, 2008, Zacharakis, Erikson & George, 2011) may be helpful in understanding these boards. Carton and Cummings (2012) discussion of resource-based and knowledge-based subgroup types and their formation, and effect on team processes (negatively on power centralization and convergence of mental models respectively) would appear to be especially pertinent to boards containing both Angel investors and founders.

2.4.1 Summary – Boards as Groups

The finding that boards may be treated as specialized groups means that intragroup processes such as those around power and conflict apply to them, and findings from research in the area of groups may fruitfully be investigated with respect to boards.

2.5 Conflict in Groups

Conflict can be defined as "perceived incompatibilities or discrepant views among the parties involved" (Jehn & Bendersky, 2003). Intra-group conflict applies in groups in which there is general agreement as to goals for the individual and the group, that is, even where there is no conflict around goals.

2.5.1 Intra-Group Conflict Dimensions and Types

The literature contains a number of varying classifications of intra-group conflict type (Pearson, Ensley & Amason, 2002, Hjertø & Kuvaas, 2009, Keller, 2009, Bendersky et al., 2010, Behfar et al., 2011), though many of these are based on the seminal works of Jehn (1995, 1997). Many more studies have classified intra-group conflict using Jehn's three-dimensional scale, the intra-group conflict scale, or ICS, e.g. (Curşeu, 2011, Shaw et al., 2011, Spell et al., 2011, Martins et al., 2013): task (sometimes labelled cognitive) conflict, relationship (or affective) conflict, and process conflict; or some refinement to this model (Jehn et al., 2008). Task conflict can be thought of as being disagreements or differing ideas about content of the task (e.g. the solution, the scope of the task etc.), relationship conflicts are non-task-related disagreements about personal issues, and process conflict is conflict about who should do what, and how the task should progress within the group (Jehn et al., 2008).

Among the additional conflict types that have been proposed are status conflict (Bendersky & Hays, 2012), although this type seemed in this study to mostly be present in combination with other conflict types, and so perhaps should be seen as a moderator of these (with the possible exception of the specific circumstances of the experiment where there seemed to be more than usual mobility of status level), and power conflict (Keller, 2009), which appeared to be an emergent state which may be an antecedent and/or moderator of other conflict types rather than an independent conflict type.

Other authors have split one or more of Jehn's (1995, 1997) conflict types into sub-types. Hjertø and Kuvaas (2009) split task conflict into two subtypes: emotional task and cognitive task conflict, and

relationship conflict into emotional and cognitive relationship conflict. The authors claimed that this four conflict typology (4IC) may be superior to the ICS, although they considered task and relationship conflict only and ignored the process conflict type entirely (though this may perhaps be considered to be somewhat congruent to the emotional task conflict type in the 4IC). The Hjertø and Kuvaas (2009) model may offer some insight into components of conflict types, but results have not been extensively tested, and were obtained from a relatively small sample. In any case, the prevailing model of intra-group conflict does not exclude the possibility of multiple conflict types operating at one time, a type or types of conflict being antecedents of other types (Bendersky et al. (2010) suggesting exactly that for relationship conflict as a consequence of task or process conflict), or interacting in other ways.

Conflict around a task may be mostly cognitive in nature, but there may also be an emotional element to it, nothing in Jehn's (1997) definition precludes this, similarly relationship conflict may include components other than emotion (status possibly being one of these). Bendersky et al. (2010) reorganised the ICS into a 2x3 matrix, with task and relationship super-types made up of divergent task conflict, convergent task conflict, logistical conflict; and status, compatibility, commitment conflict respectively. In effect this assigned the two aspects of process conflict (logistical, and commitment or contribution as Behfar et al. (2011) preferred to call it) to one of the other two conflict types. It may be that rather than finer gradations of type being required, it is the scales used that are insufficiently specified. In any case, a meta-analytic study of over 100 papers has found that no matter the scales used, the findings of effect of conflict on group outcomes (proximal and distal) is similar (de Wit, Greer & Jehn, 2012).

In an elaboration of her earlier theoretical construct (Jehn, 1995), Jehn identified four dimensions of conflict which influenced the way that conflict type has an effect on group effectiveness outcomes (Jehn, 1997). These dimensions were labelled as importance of the conflict, group resolution efficacy (the ability of the group to resolve the conflict), emotionality, and acceptability norms of conflict by the author. Later research found that the negative effects of conflict on emergent states such as trust and respect, and through these on group outcomes, could be modified by these dimensions e.g.

emotionality increasing the negative effect of relationship conflict, resolution efficacy lessening the impact of process conflict, and task conflict acceptability norms actually increasing emergent states (Jehn et al., 2008).

Other moderators such as co-occurrence of types of conflict, type of task and cultural context have also been considered (de Wit, Greer & Jehn, 2012), though in this particular meta-analysis the authors were at pains to point out that these findings were at study-level, not group-level. An interesting mediator of distributive injustice on task conflict in an organizational setting was highlighted by Spell et al. (2011), whose research determined that role conflict, conflicting demands of an individual's role, leads to greater task conflict under conditions where there was a perceived unfairness in outcomes (rather than in decision-making or treating some individuals with more respect or access to information).

All of this research underscores the fact that conflict is not a simple construct, but rather seems to be a complex web of interactions between conflict types, dimensions and contexts. Indeed, Lê and Jarzabkowski (2015) found that task and process conflict may follow a repeating pattern of influence on each other due to the way that those involved define a task's content and process in an iterative fashion. An interesting insight into this complexity was provided by Jehn and Mannix (2001) whose longitudinal study of conflict in project teams found that high performing teams had different patterns of conflict to low performing teams.

In high performing teams, process conflict was (unexpectedly) found to be low but increasing through early, middle and end stages of a project, relationship conflict was found to be low through the early and middle stages with a rise towards the project deadline (again, somewhat unexpectedly), and task conflict was found to be moderate at the midpoint of group interaction and low elsewhere (in effect a flat-ish U-shape). In contrast, low performing groups had a U-shaped pattern of process conflict; a low, rising slowly, with a sharp jump in the end stage pattern of relationship conflict; and a low levels through the early and middle stages with a sharp jump at the end stage for task conflict (Jehn & Mannix, 2001).

The time point of measurement of conflict level would seem then to affect the measured level, which may be another reason for the somewhat varying results in intragroup conflict research. These results was obtained from sample groups performing project based work, with the attendant known deadlines; there do not appear to be any results from groups performing interdependent tasks under conditions of uncertainty (such as boards).

While Jehn's conflict types have been refined and revisited by several authors (e.g. Pearson, Ensley & Amason, 2002, Bendersky et al., 2010), all seem to be moderate variations of Jehn's typology (Jehn, 1995, Jehn, 1997). Jehn's ICS is very often used in research involving conflict, with or without the later refinements. Jehn's papers on conflict types have been cited over 6700 times between them, and are still being currently cited with more 1800 citations since 2015 (source: Google Scholar).

2.5.2 Outcomes and Moderators of Intra-Group Conflict

It seems to be generally accepted in the literature, and has been confirmed by a recent meta-analysis of 116 studies into group outcomes of conflict, that task conflict can lead to positive or neutral outcomes, and relationship and process conflict are associated with negative outcomes, though these associations may be contingent, e.g. task conflict in top management teams is particularly positive (de Wit, Greer & Jehn, 2012). Not all research agrees with these associations however, which could be due to the lack of granularity in the types used, for example lack of subtypes such as person-related task conflict, or perhaps missing categories such as power conflict (Keller, 2009), or to the static, cross-sectional nature of the studies, or very likely due to the effects of various mediators and moderators.

The complex nature of interactions and effects of various types of conflict was confirmed by O'Neill et al. (2018), who found that relationship and process conflict have an effect on the team's ability to use task conflict in a beneficial way. Adding to the complexity is that conflict may be able to move up and down levels, e.g. from the individual to the group level (Korsgaard et al., 2008) and that avoiding certain types of conflict (relationship) could lead to detrimental effects on team task performance (Heemskerck, Heemskerck & Wats, 2017). Table 1 below summarises some of these findings, and

includes results from the most recent meta-analyses of intra-group conflict studies (de Wit, Greer & Jehn, 2012, O'Neill, Allen & Hastings, 2013).

Leadership style has been shown to have an effect on the outcome of intra-group conflict in the organizational context. Curşeu (2011) showed that a relationship-oriented leadership style moderated the negative effects of relationship conflict (but had no such effect on task conflict, in fact increasing the negative effect) on the quality of teamwork, while a more task oriented leadership style had a smaller positive moderating influence on the effect of task conflict on teamwork quality. These results must be viewed in balanced against earlier research which demonstrated that leadership behaviours consistent with a transactional leadership style were much less likely than behaviours manifested in a transformative leadership style to allow task conflict within the group to morph into relationship conflict with all of its negative consequences (Kotlyar & Karakowsky, 2006).

In a recently published work DeChurch, Mesmer-Magnus and Doty (2013) propose a model where conflict processes (that is, how the group deals with conflict) mediate the relationship between the two conflict states of task and relationship conflict (this moderator was also posited by Jehn and Bendersky (2003)), and the group outcomes of task performance and group affect. Collective conflict processes (i.e. those focussed on the welfare of the group) are found to have a positive influence and individualistic processes to have a negative influence on the effects of both task and relationship conflict on task performance and on group affect. Similarly, a competitive (goals not treated as congruent) approach to conflict management was found to have a negative influence on the otherwise positive relationship between task conflict and team performance, going so far as to flip the valence (from positive to negative) of the effect with increasingly competitive approaches (Maltarich et al., 2018).

This same research found that although a competitive approach had a negative effect on the effects of relationship conflict on team performance, cooperative (goals treated as congruent) approaches ameliorated this only to a degree (Maltarich et al., 2018). Another moderator of intra-group conflict relationships with group outcomes was suggested by Hjertø (2006), who found that group size

(specifically larger group sizes) increase the negative relationship between task conflict and work group delivery and job satisfaction, and relationship conflict with work group delivery. This work was modelled with a four-type variant of Jehn's (1995) ICS in which both task and person conflict types were subdivided into cognitive and emotional types.

Other mediators of the relationship between conflict type and group outcomes that have been posited include diversity, conflict norms, and emotions (Jehn & Bendersky, 2003), resolution efficacy - the group's belief that the conflict could be resolved (Jehn et al., 2008), trust (Choi & Cho, 2011), relationship conflict mediating task conflict (Shaw et al., 2011), seniority of the team, the strength of association between relationship and task conflict, and outcomes measured in terms of financial performance or quality of decision (de Wit, Greer & Jehn, 2012), status conflicts (Bendersky & Hays, 2012), and the group's capacity to integrate knowledge (Xie, Wang & Luan, 2014).

Conflict Type	Effect	Mediators/Moderators	Literature
Task	Positive effect on group performance when it's measured by decision quality and also in TMTs		<i>de Wit, Greer & Jehn (2012)</i>
	Slightly negative effect on both performance and cohesiveness, more negative on proximal outcomes (e.g. group member satisfaction and trust)		<i>de Wit, Greer & Jehn (2012)</i>
	Very slight negative effect on teamwork quality		<i>Curşeu (2011)</i>
	Increased relationship conflict		<i>Bendersky et al. (2010)</i>
	Informs process conflict in an iterative fashion (and v.v.)		<i>Lê & Jarzabkowski (2015)</i>
	Positive effect on group performance for divergent task conflict, negative for convergent task conflict		<i>Bendersky et al. (2010)</i>
	Leads to greater relationship conflict where there is a lack of trust		<i>Choi & Cho (2011)</i>
		Task conflict asymmetry has a negative effect on creativity but not on performance	<i>Jehn, Rispens & Thatcher (2010)</i>
		Conflict acceptability norms positive effect on quality of emergent states (trust, respect, cohesiveness)	<i>Jehn et al. (2008)</i>
	Positive effect on team performance (cooperative approaches) / Negative effect on team performance (competitive approaches)	Approach to conflict management	<i>Maltarich et al. (2017)</i>
	Zero effect on innovation		<i>O'Neill, Allen & Hastings (2013)</i>
	Negative effect on group potency		<i>O'Neill, Allen & Hastings (2013)</i>
	Negative association with cooperative team behaviours, positive on competitive		<i>O'Neill, Allen & Hastings (2013)</i>
	Small negative to zero effect on team performance, except in decision-making teams when where small positive association		<i>O'Neill, Allen & Hastings (2013)</i>
	Positive effect on team performance and on team affect		<i>DeChurch, Mesmer-Magnus & Doty (2013)</i>
Relationship	Positive effect on group performance/creativity, negative effect on satisfaction/consensus	Multiple amplifiers/suppressors/ameliorators/exacerbators	<i>Jehn & Bendersky (2003)</i>
	Inverted U shape relationship with innovation	Knowledge integration capability	<i>Xie, Wang & Luan (2014)</i>
	Negative effect on group performance (less in groups working on project tasks) and on cohesiveness, more negative effect on proximal outcomes (e.g. trust)		<i>de Wit, Greer & Jehn (2012)</i>
	Increases negative effect of task conflict on team member satisfaction. Moderates relationship between task conflict and team performance (inverted U when relationship conflict is low, linear and negative when high)		<i>Shaw et al. (2011)</i>
	Inversely correlated between cohesiveness and relationship conflict		<i>Petrovic (2008)</i>
	Increases negative effect of task conflict (but not v.v.)		<i>de Wit, Greer & Jehn (2012)</i>
	Leads to greater task conflict		<i>Choi & Cho (2011)</i>
		Emotionality increases -ve effect	<i>Jehn et al. (2008)</i>
		Relationship conflict asymmetry has a negative effect on performance but not on creativity	<i>Jehn, Rispens & Thatcher (2010)</i>
		Cooperative approach to conflict management associated with higher team performance in early stage of conflict, not middle and later stages	<i>Maltarich et al. (2017)</i>
	Negative association between relationship conflict and team performance		<i>O'Neill, Allen & Hastings (2013)</i>
	Zero effect on innovation		<i>O'Neill, Allen & Hastings (2013)</i>
	Negative effect on group potency		<i>O'Neill, Allen & Hastings (2013)</i>
	Negative association with cooperative team behaviours, positive on competitive		<i>O'Neill, Allen & Hastings (2013)</i>
Positive effect on avoidance behaviours		<i>O'Neill, Allen & Hastings (2013)</i>	
Negative effect on team performance		<i>O'Neill, Allen & Hastings (2013)</i>	
Negative effect on team performance and on team affect		<i>DeChurch, Mesmer-Magnus & Doty (2013)</i>	
Negative effect on performance/creativity and satisfaction/consensus	Multiple	<i>Jehn & Bendersky (2003)</i>	
Negative effect on teamwork quality	Moderated by relation oriented leadership style	<i>Curşeu (2011)</i>	
Avoidance of relationship conflict has negative effect on board task performance		<i>Heemskerk, Heemskerk & Wats (2017)</i>	
Process			
	Increased relationship conflict		<i>Bendersky et al. (2010)</i>
	Negative effect on group performance, group coordination, group satisfaction		<i>Behfar et al. (2011)</i>
	Negative effect on performance and proximal outcomes (e.g. trust)		<i>de Wit, Greer & Jehn (2012)</i>
	Increases negative effect of relationship conflict (but not v.v.)		<i>de Wit, Greer & Jehn (2012)</i>
	Informs task conflict in an iterative fashion (and v.v.)		<i>Lê & Jarzabkowski (2015)</i>
	Zero effect on innovation		<i>O'Neill, Allen & Hastings (2013)</i>
	Positive or negative effect on performance/creativity depending on timing, negative effect on satisfaction/consensus	Multiple	<i>Jehn & Bendersky (2003)</i>
		Negative effects lessened by perceived resolution	<i>Jehn et al. (2008)</i>
	Most negative effect on team performance of 3 conflict types		<i>O'Neill, Allen & Hastings (2013)</i>

Table 1 Effects of Conflict

2.5.3 Intra-Group Conflict on Boards

In the context of non-profit boards, all three of task, relationship and process conflict have been shown to have a negative impact on commitment to the group, quality of decision-making and group satisfaction; relationship conflict having a far greater impact than the other types. Relationship conflict was also found to mediate the effect of task conflict on group outcomes in this setting (Hamm-Kerwin & Doherty, 2010), and follow-up research in the same setting found intensity of relationship conflict to have a negative influence on the decision quality outcome (Kerwin, Doherty & Harman, 2011).

The comparatively well-known effects of relationship conflict notwithstanding, boards that try to avoid relationship conflict altogether rather than managing it, have been found to experience negative impacts on board task performance (Heemskerk, Heemskerk & Wats, 2017). Comparable works for corporate boards are few, exceptions including Bailey and Peck (2011), Kim, Suazo and Prescott (2008) research on antecedents to conflict and the role of shared mental models on boards, and Levrau and van den Berghe (2006) on conflict norms. Much of the literature on conflict on corporate boards deals with issues of conflict between board or Chair and TMT (Buchholtz, Amason & Rutherford, 2005, Bjørnåli, Erikson & Knockaert, 2011).

2.5.4 Intra-Group Conflict on Startup Boards

Angels are often former entrepreneurs and/or highly successful operational managers (Morrissette, 2007), so have strong ideas about how companies should be run; believe that they personally can make a difference; and have high needs for dominance (Riding and Orser as cited in (Farrell, 2000)). When both founders and Angels are present on a board, this could lead to conflict, or provide the basis for collaboration (Zacharakis, Erikson & George, 2010). The potential for conflict is heightened if both the Angel and the founding entrepreneur perceive themselves to be 'entitled' (deserving of reward regardless of effort), as the presence of two entitled individuals in a group has been shown to lead to power struggles (Kirkpatrick et al. as cited in (Jehn & Bezrukova, 2010), polarization of the group, and formation of coalitions through the activation of faultlines (Jehn & Bezrukova, 2010).

Zacharakis, Erikson & George (2010) determined that while previous research had shown that VCs' perspective on task conflict is favourable, their own study found that the entrepreneurs' perspective is not favourable to task conflict, and further that it was damaging to the VC/entrepreneur relationship. Importantly, the authors also found that conflict within the founder team (though in this case it was only relationship conflict that was studied) magnified conflict between it and the VCs. This was apparently the first study which considered the interaction of intra- and inter-group conflict in this area. This interesting research gives rise to several questions with respect to the applicability of the results to the Angel/entrepreneur relationship, such as whether Angels perceive task conflict favourably as do VCs, or unfavourably as do entrepreneurs.

If lowered confidence in partner co-operation results from task conflict, does this affect Angels in adding value as it does VCs? Is process conflict important to the Angel/founder relationship? Do conflicts in the founder's team affect the founder's relationship with the Angel? Another study on entrepreneur/VC conflict found it to be integral to the relationship, and perceived by the entrepreneur to be low when it was cognitive, and high when relationship based conflict. This research also found that strategic involvement by the VC led to cognitive conflict and managerial involvement by VCs, and to relationship conflict (Yitshaki, 2008). What this means for Angel/entrepreneur conflict is again an interesting question given Angel investors' involvement in what could be considered managerial tasks (Ravasi & Zattoni, 2006, Zhang, Baden-Fuller & Pool, 2011).

The Klotz et al. (2014) meta-analysis of NVT (New Venture Teams) studies includes research examining effects of inter- and intra-group conflict (inter-group is TMT/VCs); with task conflict having generally positive (e.g. on strategic decision making), and relationship conflict having generally negative effects, on firm performance (member exit, profit, sales, growth); although not on team performance.

One author has found Angel concurrence with the favourable VC perception of task conflict in a specific context, that of exit intention, though the results did not match between the two types of venture investors for goal conflicts (Collewaert, 2011). Collewaert and colleagues' work, which has

investigated the impact of behaviour perceived to be unethical, trust, venture exit intentions, desire to continue working together, and impact of conflict on innovation (e.g. Collewaert, 2009b, Collewaert, 2009a, Collewaert, 2011, Collewaert & Fassin, 2011b, Collewaert & Sapienza, 2016) appears to comprise a large portion of the literature on Angels and conflict, is generally quantitative in nature, and has investigated investors and startups in both western Europe and the US.

2.5.5 Summary – Conflict in Groups

The intra-group conflict literature points to the many and varied effects of conflict on group states, processes, and outcomes (see Table 1 above). It also highlights that it is not only task conflict that may have an effect of interest to board-as-groups studies, but also relationship and process conflict. Board studies have tended to focus on conflicts between the Board and CEO (i.e. inter-group studies), rather than conflicts within the Board itself.

The few studies that have investigated conflict on startup boards, e.g. Zacharakis, Erikson & George (2010), have found marked difference in the tolerance to conflict between entrepreneurial founders and venture investors. The results were obtained in studies of VCs (institutional venture investors), and remain to be investigated to any great extent for Angel investors, and although some studies have posited it to be so under certain conditions, e.g. (Collewaert, 2011), this requires further investigation.

2.6 Power in a Board Setting

One simple definition of power is the “ability to influence others” (Huse et al., 2011, p17), though as authors on the subject have pointed out, precise definition is difficult and may depend whether the unit of analysis, actor-intention, location of power, or its distribution is of primary interest (Keltner, Gruenfeld & Anderson, 2003, Lukes, 2005). Huse et al. characterise the literature as falling into several groups categorised by the type of power (direct, indirect, conscience controlling, and institutional), though these are not definitive. Power may not only be motivated by the desire to increase or maintain resources, power and status may also serve to maintain or resolve conflict (Sell et al., 2004). According to Sell et al. (2004) status can ‘organize’ power, as it determines who may choose to use power (or choose not to) within the group, which while greasing the machinery of group operation, can also lead to an acceptance of inequalities existing within the group.

Many of the earlier studies of power in an organizational context have involved the top management team, e.g. Finkelstein (1992). One notable exception was Mace’s (1972) study of power within the boardroom, which found that power relations may provide an explanation of the inconsistency between a board’s actual achievements and what was expected of them. Although this result was derived from data collected from large US companies, it points to the fact that power is an important group dynamic, so there is a need to understand how power is used inside the boardroom, which power differentials exist between directors, and how this affects the processes of the board.

Power has been studied in other group settings but not often applied to boards (Huse et al., 2011). Hambrick, Werder & Zajac (2008) agree, and contend that the amount of attention that has been paid to power relations between boards and management must also be paid to intra-board power dynamics. They make the claim that this neglect is one of the reasons for result variability in structural board effectiveness research. Intra-group power relations can not only affect board decision processes according to (Van Ees, Gabrielsson & Huse, 2009), but also how directors perform their roles and even which decisions the board considers because of agenda setting power (Peebles, 2010).

One study in the field of organizational behaviour which illustrates the importance of power relations for board studies showed that high power teams (that is, teams which collectively have high capacity to influence others), of which boards are an example, experience higher levels of process conflict than low power teams, which in turn has consequences for team performance. This relationship between power and performance was shown to be moderated by interpersonal power congruence, the perception of an individual of their within-team power closely matched the perceptions of other group members of the individual's power (Greer, Caruso & Jehn, 2011). At least one study (Magee & Galinsky, 2008) into organizational hierarchies has found power to be self-reinforcing in that individuals with power tend to behave in ways such that they can both retain the power that they have, and acquire additional power. This may shed light on some board level interactions, in line with Mannix and Sauer's (2006) assertions that power and status are essential to understanding group conflict resolution, decision-making and performance.

There are numerous ways of considering power dynamics on boards. Kim, Pinkley and Fragale (2005) proposed a model in the context of negotiation (an important organizational interpersonal process that would seem to be relevant to the board setting) which consisted of power components – potential power, perceived power, power tactics and realized power. These components address the sources, perceptions, and use of power, while Finkelstein's work cited above (1992) identified three constructs of top management team power; structural, ownership and prestige power, which appear to be more limited as they address only sources of power.

In a paper from the psychological literature, Keltner, Gruenfeld and Anderson (2003) attempted to integrate various power literatures and detailed the influence of power on behaviour, finding effects on affect, cognition, attention to rewards and (dis)inhibition. Due to their one-dimensional definition of power, similar to the one given above, i.e. one which relies on 'power over' and ignores the 'power to' and 'power for' orientations (Huxham & Vangen, 2004) or facilitation power as Callahan (2011) terms the 'power for', these results probably fall short of encompassing all the effects of power in a group setting. The three power orientations were characterised by Purdy as for "own gain, mutual gain and altruistic gain" respectively (Purdy, 2012, p410).

In the board-as-group setting, there are two explorations of power which may be the most informative in in this context. In the first of these, Pettigrew & McNulty introduce a conceptual framework incorporating the concepts of context, structure, sources of power, and ability and willingness to use power, which they illustrate with examples in their study of the relative power of UK non-executive and executive directors (Pettigrew & McNulty, 1998). The authors contend that context and structural features influence the availability of power sources to various board roles, and that the director's perceptions of their domains of influence (e.g. governance and not strategic direction) limit the construction of power sources.

Pettigrew & McNulty further claim that a director's individual qualities are critical to converting sources of power and power potential into realized influence ('will and skill'). This framework thus allows for the interactive nature of the various dimensions of power, and would seem to be well suited to understanding power relations within boards in general. The authors assert that as boards are the "ultimate instruments of power" in an organization, investigations into board power relations are of vital importance to board studies (Pettigrew & McNulty, 1998, p198).

In her consideration of power in a collaborative governance context, Purdy (2012) offers a comprehensive framework which encompasses both power sources and opportunities for the exercise of power. Purdy divides power sources into three - authority, resource-based power, and discursive legitimacy; while power can be exercised in three arenas - participants in the process, process design and content (what is addressed, which outcomes are sought). While Purdy's research relates to collaborative governance processes, it would appear to have scope to be extended to the context of corporate boards.

In an update to his earlier work on power, Lukes offered a three dimensional power model, decision and non-decision-making; latent and observable conflict; real and subjective interests; (Lukes, 2005) which advanced a more radical view of power in a general sense. Also using techniques less traditional in organizational studies, but becoming more popular and illustrating the importance of power in organizational group settings, Wodak, Kwon and Clarke (2011) use a discourse analysis

approach to demonstrate that outcomes of decision-making of top management teams can change according to subtle changes in power relationships. In a similar vein strategy-as-power and resistance to that managerial power discourse has been investigated by McCabe (2010), who found that other theoretical approaches may overestimate the control top managers have, and underestimate the possible resistance to managerial strategic discourse.

Yet another way of understanding power is the view advocated by the philosopher Michel Foucault, who wrote extensively on this topic (Schirato, Danaher & Webb, 2012). As, according to Foucault, power is an effect of discursive practice, it is necessary to analyse how language is used in order to understand power in organizational settings. In this conception of power, power does not result from structures working in the background, or from the effect of human will, but is constituted by discourse, and expressed by ever shifting networks and alliances (Clegg, 1997).

Discourse can enforce authority, and bestow legitimacy and the right to speak by privileging some meanings over others. In the Foucauldian perspective, knowledge does not exist independently to language, it is organized by the structures of language, and for Foucault, language generates truth; i.e. language has truth effects (Townley, 1993, Hardy & Nelson, 1998, Vainio & Paloniemi, 2012, Whisnant, 2012). An example from the organizational literature is Clifton, who when looking at leadership in terms of discourse, averred that leadership, specifically 'doing' leadership, should be seen as managing meaning by privileging some meanings over others (Clifton, 2012).

2.6.1 Summary – Power in a Board Setting

While power has been studied in many group settings, and despite calls in the literature for more research into the manner which power manifests itself in board settings, studies with this focus are not numerous. Besides these calls, there is also sufficient research into power in analogous elite group contexts to indicate that such research focussing on boards would be both valuable and rewarding.

2.7 Organizational Discourse

Discursive approaches in organizational studies range from textual analyses of the use of language (sometimes labelled ‘little d’ discourse analysis) to approaches guided by the thought system of philosophers such as Michel Foucault (sometimes known as ‘big D’ discourse analysis) and much in between, and with much argument around definitions (Alvesson & Kärreman, 2011, Hardy & Grant, 2012). At the big D end of this spectrum, discourse is language that allows interpretation of social events, and discursive practices include representations such as texts, argumentation and cognition in addition to speech (Clegg, 1997).

Organizational discourse studies have been used to explore entrepreneurs and entrepreneurial culture (Jones & Spicer, 2005), organizational decision-making (Kwon, Clarke & Wodak, 2009), team consensus building (Kwon, Wodak & Clarke, 2011) and strategy-making and its truth effects (Kornberger & Clegg, 2011, Hardy & Thomas, 2013) and to examine power and resistance to it. Such resistance to power does not need to be diametrically opposed to it, it may just be intended to take things in a different direction, and power and resistance may respond adaptively to each other in an iterative fashion (Hardy & Thomas, 2013).

A view from critical approaches to organizations posits that senior executive teams can be conceptualized as intersecting communities of practice, as well as constituting a community in their own right (Kwon, Clarke & Wodak, 2009). This concept may be logically extended to other elite multi-disciplinary organizational groups such boards of directors without stretching the analogy too far. Thus boards of early stage companies may be conceptually viewed as communities of governance practice, in addition to intersections of communities of practice in entrepreneurship, technology, management, investment and finance, law, marketing and leadership, all with their own discourses. This intersection of communities of practice is a field in which discourses are contested, and conflict and power dynamics play out, as privileged access to knowledge (and thus power) in one community does not necessarily confer those rights in another. This in effect creates bounds on an individual’s or

sub-group's power in this setting, and provides for competing resistances (Kwon, Clarke & Wodak, 2009).

An illustration of this intersection in the board context is the discursive strategy of management presenting excellent sales numbers in a board meeting (numbers that the board may not be in a position to easily verify independently of management anyway) while glossing over or omitting other figures (such as growth or employee turnover) that may tell a different story, in order to steer decisions in certain directions favourable to them. Dissenting views could then be portrayed as not focussing on areas of importance to the organization, and thus discounted.

These competing discourses and resistances to them include those of managerial expertise, financial success (and thus inferred financial acumen) and perhaps most importantly for startup companies, entrepreneurial discourse and resistance to it.

2.7.1 Themes of Entrepreneurial Discourse

The entrepreneurial discourse is constantly reinforced by the number, diversity and attractiveness of various entrepreneurial narratives presented for consumption by the media and the startup ecosystem (by means of embedding them in popular culture). These narratives are designed to encourage the narrative-consumer to identify with, or to model themselves (or their entire organization) on, these entrepreneurial heroes, and include age-old themes such as the 'poor boy made good', 'the child prodigy', 'the hero who overcame great odds or the established order', 'hero who becomes a great tycoon', 'the lovable rogue', 'the outsider', and not least, 'legitimacy through philanthropy' (Smith & Anderson, 2004).

The narrative-consumer includes of course the entrepreneur themselves who may "see themselves not just as entrepreneurs who want to do a good job, but as 'innovators', 'change makers' or 'pioneers' who are here to 'change the world'" (Olma, 2016).

2.7.2 Summary – Organizational Discourse

Discursive studies have been undertaken in many organizational contexts, including those that are related or analogous to boards, but there is a relative paucity of work employing the investigative approaches encompassed by the analysis of discourse in the board literature. Understanding the board as a community of practice, suggested by a similar approach to top management teams (TMT) by Kwon, Clarke & Wodak (2009), would seem appropriate for an investigation of boards including Angel investors. Some of the themes of entrepreneurial discourse may also apply to directors in entrepreneurial companies.

2.8 Team Effectiveness

Group effectiveness has been the subject of many studies in both the behavioural science and organizational literature over the years (Hackman, 1987, Milliken & Vollrath, 1991, Cohen & Bailey, 1997, Ensley, Pearson & Amason, 2002, Beal et al., 2003, De Dreu, 2007, Kim, Suazo & Prescott, 2008, Mathieu et al., 2008, Jehn, Rispens & Thatcher, 2010, Bjørnåli, Erikson & Knockaert, 2011, Shaw et al., 2011, Martins et al., 2013)

A team is a specific type of group, and can be defined as a group whose members have social interaction, some level of interdependency, a common goal or goals, and are part of a larger organizational context which influences their operation (Kozlowski & Ilgen, 2006). However the terms team and group are often used in a way which, while not exactly interchangeable, makes the actual object of analysis rather less clear. An example of this from the literature is “Group cohesion is one of the earliest and most widely studied team-process characteristics” (Kozlowski & Ilgen, 2006, p87), with the example of “We use the words ‘team’ and ‘group’ interchangeably in this paper” (Cohen & Bailey, 1997, p241) at the extreme end of the scale. The terms ‘work group’ and ‘team’ do seem to be used more or less interchangeably in organizational behaviour and management literature however; for example the title of the paper “Enhancing the Effectiveness of Work Groups and Teams” (Kozlowski & Ilgen, 2006) seems to be the only place in it where these constructs are differentiated.

There are three dimensions of group or team effectiveness according to Cohen and Bailey (1997): performance outcomes; attitudinal outcomes; and behavioural outcomes. The authors believe these outcomes to be a product of a combination of environmental context, group and task design, intra- and inter-group processes (e.g. conflict), and the psychosocial traits of the team such as norms and cohesiveness. Some authors mention only the two dimensions of task performance and team satisfaction e.g. Shaw et al. (2011). These works, along with many others, employ adaptations of the Input-Process-Outcome (IPO) model first proposed by McGrath some 50 years ago (McGrath as cited in Mathieu et al., 2008). Others such as Ilgen et al. (2005) have proposed an Input-Mediator-Outcome (IMO) model to account for the fact that some mediators between inputs and outcomes are not in fact

processes, but for example, emergent states. This was further developed by Ilgen et al. (the IMOI, or Input-Mediator-Outcome-Input model) to illustrate the episodic (execution of a set of processes at a particular time) or feedback-loop nature of team work. Mathieu et al. (2008) felt it necessary to point out that this feedback occurred between in the transitions between episodes of teamwork, and not within them. Hackman (1987) on the other hand, proposed a normative rather than descriptive model, which specified the factors which should be present for group effectiveness. These factors were grouped into five broad categories: organizational context; group design; group synergy; process criteria of effectiveness and material resources. These broad categories seem to correspond to the dimensions of effectiveness identified by other authors.

In a review of research into the effectiveness of teams, Kozlowski and Ilgen (2006) listed a number of cognitive structures and processes (such as team mental models), interpersonal and affective processes and emergent states (for example cohesion), and team behavioural processes (e.g. team cooperation) which had found support in the literature as being related to team effectiveness. These authors criticized the IPO model as being rather dated and in need of extension, by virtue of its limited dynamic perspective of processes underpinning team effectiveness. In this they are in agreement with Hackman (1997), who found the IPO model useful to organize thoughts, but less useful for understanding team effectiveness, as results were contingent upon the type of task being performed.

Mathieu et al. (2008) commented on the difficulty of neatly categorizing the constituents of team effectiveness, and the evolving complexity of these categories (ranging from the three outlined by Cohen and Bailey (1997), to more than twenty in some studies). For example, in a paper describing an extensive instrument developed to understand teams, Wageman, Hackman and Lehman (2005) developed criteria for an effective team based on earlier work by Hackman (1987) and others, which like Hackman's original model was normative. Their model did not identify causal or moderating factors for effectiveness, but rather viewed teams as evolutionary in nature which developed according to internal factors and their interactions across external boundaries. Their criteria are as follows:

1. The output of team effort is viewed favourably by the recipient or user of that output according to the recipient's criteria (it is possible that teams may be the recipients of their own work)
2. Social processes used by the team enhance the ability to work well together in the future
3. Team members as individuals are positively affected by their team experience

Despite claiming a not to specify causal factors, Wageman, Hackman & Lehman hedge their bets somewhat by positing five conditions which enable effectiveness, in their words "...when present increase the likelihood (but do not guarantee) that a team will perform well" (Wageman, Hackman & Lehman, 2005, p375):

1. The team is not just a team in name only (it has member boundaries, is interdependent and working to a common purpose, and has some baseline level of membership stability)
2. The team's purpose is clear and compelling, with goals specified but the means of achieving them left up to the team
3. Team structure (task design, composition and shared conduct norms) enables cooperative work
4. The existence of organizational support for team tasks (rewards, learning and information)
5. The availability of coaching to minimize process loss and capture maximum process gains

A simple definition of team or group effectiveness is thus not easy to come by, and as Milliken and Vollrath (1991) pointed out, the types of group process and even the types of groups that will produce effectiveness is contingent to a large degree on which kind of tasks the group is to perform.

2.8.1 Board Effectiveness

It is a fairly uncontroversial fact that a board can be considered to be a team (Payne, Benson & Finegold, 2009, Vandewaerde et al., 2011a), so a team effectiveness approach to board effectiveness would seem to be reasonable.

Forbes & Milliken proposed specific criteria suitable for the evaluation of boards as a specialized and specific type of team or workgroup (Forbes & Milliken, 1999). The episodic nature of board functions; task complexity that involves the formulation and monitoring of strategy; the lack of

implementation tasks; an almost wholly cognitive work output; and the fact that some or even the majority of team members had primary work affiliations with external organizations were given as evidence of this particularity. The authors asserted that the criteria of task performance and the board's cohesiveness (the continued ability to work together) were sufficient to determine board effectiveness (Forbes & Milliken, 1999). This would seem to rescue those studying board effectiveness from the untidy definitions of what constitutes team effectiveness detailed in Sec. 2.8.1 above.

Lending weight to the inclusion of cohesiveness as an important component of board effectiveness was a meta-analytic study of cohesiveness and group performance which found that cohesiveness benefits performance especially when performance was defined as behaviour rather than outcome, and when the group's tasks involve the group working as a whole on them, e.g. decision-making (Beal et al., 2003). These group characteristics seem to fit boards well. Research findings linking cohesiveness with greater effectiveness in TMTs (top management teams) would also seem to support the inclusion of cohesiveness as a dimension of board effectiveness (Bjørnåli, Erikson & Knockaert, 2011).

Cornforth (2001), in a study of non-profit boards where the methodology was based on works in the corporate board domain, determined a set of five tasks that if performed effectively by the board best explained overall judgements of its effectiveness. These components were selected from a much larger set of board functions grouped into the areas of strategy-making; stewardship; advising and overseeing management; board maintenance; and accountability, resource acquisition and networking.

Interestingly, only two of the five tasks identified by Cornforth are among those discussed in Sec. 2.3.1 above as explicitly being part of the role of a startup board, namely resource acquisition and decision-making around strategy. Another, overseeing financial management, is often performed in a more informal manner, and one, determining organizational culture, is implicit rather than explicit in nature. Reviewing board performance did not figure to any extent in the literature on startup board tasks. This would suggest that perhaps performance of other tasks in Cornforth's (2001) set, such as

management advice, networking with external actors and representing stakeholders may be more useful in determining the overall effectiveness of the startup board. Cornforth (2001) also identified four process variables which he asserted helped explained variance in overall effectiveness: clarity in board role and responsibilities, shared vision with management of goal attainment, periodic reviews of board and management's working relationship, and ability to constructively resolve intra-board conflict.

In research which examined the perceptions of board members in New Zealand of the characteristics and outcomes they associated with effective boards, Northcott and Smith (2011) built on these results to construct a balanced scorecard for boards to measure board performance. This work is interesting because both because it is grounded in a corporate environment analogous to Australia's, and because it acknowledges that 'softer' aspects of the board environment such as interpersonal dynamics and culture may be of more significance than structural elements in understanding the way that boards function. Directors in this study identified board relationships (both internal to the board and company and external to it) and board culture and practice as both inputs to, and outcomes of, board effectiveness. These directors also identified that both dimensions were of more importance than company performance as a measure of board effectiveness (Northcott & Smith, 2011).

Several aspects of the Northcott and Smith study would seem to diminish its use as a theoretical basis for future research however (while not in any way affecting its practical utility in conducting board evaluations). The first of these is that one of the authors is very much an insider as a director in New Zealand of long standing, which, while allowing greater access to interview participants, may result in some biases of interpretation (rather than "enhancing the validity" as claimed by Northcott and Smith (2011, p. 40)). Secondly the sample selection criteria may have resulted in a somewhat skewed set, with minimum tenure requirements for directors and minimum lifetimes for boards (though this last was explicitly stated as being required to reduce variability), which in an already small corporate environment may have excluded some valuable input. Finally the assertion that performance indicators for effectiveness are guided theoretically by either shareholder or stakeholder perspectives, ignored other worldviews (such as stewardship, political, and resource dependency approaches) and

excluded other board functions such as the encouragement of desirable management behaviours, acquisition of resources, and the nurturing of innovation (Murphy & McIntyre, 2007).

In addition to their assertion that only two board level outcomes were important to understand effectiveness (i.e. task performance and cohesiveness), Forbes and Milliken (1999) identified three board processes which influenced these effectiveness dimensions; effort norms, cognitive conflict, and use of knowledge and skills. Effort norms included devoting sufficient time to board 'homework' and attendance at meetings, in addition to levels of participation, attentiveness in meetings, and analysis of problems before them. Forbes and Milliken characterized cognitive conflict as enhancing the performance of board tasks but contributing via lowered levels of satisfaction to negative effects on cohesiveness. As this paper was written just as Jehn's important studies of intra-group conflict were beginning to be published (Jehn, 1995, Jehn, 1997), the effects of a fuller range of conflict types which include task and relationship conflict did not appear to be considered by the authors.

Later works have shown these additional conflict types to be influential in Forbes and Milliken's effectiveness criteria (Jehn & Mannix, 2001, Jehn & Bendersky, 2003, Jehn et al., 2008, Jehn & Bezrukova, 2010, Jehn, Rispens & Thatcher, 2010, Kerwin, Doherty & Harman, 2011, Shaw et al., 2011, Martins et al., 2013). These studies also emphasize the complexity of intra-group conflict processes and outcomes, which was perhaps not able to be accounted for in the Forbes and Milliken (1999) paper. Although the authors presented persuasive arguments in support of their useful restricted set of effectiveness criteria for boards, with the benefit of hindsight it would appear that the processes that they have identified as influencing these may be a necessary but insufficient set.

Additionally, Forbes and Milliken (1999) recognized that boards of smaller firms (by their classification, those with revenues of \$25 million or less) tend to perform a greater number of, and a greater range of, service tasks due to the comparative lack of formality and lack of diversification. They also pointed out that because the senior management of small firms may be entrepreneurs lacking general management proficiency, the use of the board's knowledge and skills may assume a greater importance in board effectiveness in this case. High technology firms (both large and small)

were also thought by Forbes and Milliken to be a special case, as directors needed knowledge and skills beyond those required for typical board service (i.e. technological and technology market knowledge), and typically had greater discretion in action because they possessed and could use this knowledge.

The integrated model presented in the Forbes and Milliken paper has since been employed by other authors such as Minichilli et al. (2012) and Nielsen et al. (2008), and at least partially validated empirically by van Ees, van der Laan and Postma (2008) who found that process variables such effort norms, conflict and use of knowledge and skills influenced task performance in the monitoring and strategy board roles (although the authors found opposite polarities in the effects of cognitive conflict on these roles, perhaps due to limitations discussed above). A 2011 study which employed the Forbes and Milliken (1999) integrated model and also focussed on the antecedents of task performance, validated the positive effects of effort norms and cognitive conflict in a survey-based study of 119 listed company boards in the United States (Bailey & Peck, 2011). The cohesiveness component of the model on the other hand, seems to be little studied.

2.8.2 Board Task Performance

There are two main areas of focus in the board task performance literature, namely how to predict it, and how to measure it.

It has been observed that various effects interacting in a dynamic fashion shape board task performance, and this complexity makes the isolation of predictors for it far from simple (Pye & Pettigrew, 2005). Huse (2005) however, singled-out the decision-making culture of a board as the key predictor of task performance. This difficulty in identifying predictors of task performance may to some extent be due to the variation in task characteristics devolving from the various roles of the board, and the necessity for researchers not to treat these as an undifferentiated set in seeking to understand predictors for them (Minichilli, Zattoni & Zona, 2009). Another difficulty is, given that performance criteria may be different for the same group for different tasks, and boards by their

episodic nature (Forbes & Milliken, 1999) tend to perform a number of these tasks in the one session, the overall task performance of the board for a particular episode may be difficult to predict or assess.

Several studies looking at board task performance have taken the approach suggested by a model proposed by Forbes and Milliken (1999). They asserted that the group-level processes of effort norms, task conflict, and use of skills and knowledge, all positively influenced task performance. One approach to the problem of assessing task performance is to evaluate various process criteria pertaining to the quality of strategies to perform tasks, effort, and use of skills and knowledge (Wageman, Hackman & Lehman, 2005). These criteria map to the processes which influence task performance given by Forbes and Milliken (1999), though Wageman, Hackman & Lehman omitted interpersonal criteria (such as the presence of, or quantum of, conflict) in the assessment of task performance (though did include them elsewhere in the instrument).

Another, later, study took an approach that was more closely based on Forbes and Milliken's model, and asked CEOs to rate control performance and advisory task performance, and operationalized the concepts of effort norms (three items), cognitive conflict (four items based on Jehn's 1995 scale), and use of knowledge (three items). This study found support for effort norms and use of knowledge as predictors of both control and advisory task performance (+ve), but a more confused picture with respect to cognitive conflict, which they suggested may be "context-specifically relevant" in a negative fashion (Minichilli et al., 2012, p 209). This reflects the complexity perhaps inherent in seeking to ascertain magnitude and polarity of a highly contingent process using aggregation techniques.

The impact of various aspects of 'board climate' and board processes on the board's control and service tasks, with the Forbes and Milliken (1999) model as a starting point, was investigated by Bailey and Peck (2011), who found strong correlations between intra-group respect and a collaborative approach to board/TMT relations, to effort norms, and the use of knowledge and skills by the board and the presence of cognitive conflict in decision-making; all of which related positively to board task performance in those roles. Specifically, they found support for collaboration leading to

positive effects in all of effort norms, cognitive conflict and use of skills and knowledge; and intra-group respect having a positive effect on effort norms and cognitive conflict.

Given the difficulties in understanding board task performance previously outlined, it would seem important to be able to identify the range of board tasks and their performance criteria, in order to gain an understanding of overall board task performance. Minichilli, Zattoni and Zona (2009) presented six tasks (three in each of the service and control roles, one in each role with each of internal, external and strategic foci), and scales for the evaluation of these. The authors gave these tasks as advice (service - internal), networking (service - external), strategic participation (service - strategic), behavioural control (internal), output control (external) and strategic control (strategic).

Other similar lists have been given in research on balanced scorecards for corporate boards in New Zealand (hiring and mentoring the CEO, directing and developing strategy, monitoring an compliance, adding value for and communications to shareholders, leadership around organizational culture, critical debate of issues, contribution of knowledge and skills), these being derived from the opinions of the directors themselves (Northcott & Smith, 2011); and board effectiveness in non-profits (17, divided up into the categories of strategy and policy making, stewardship, supervising and supporting management, board maintenance and external relations and accountability) (Cornforth, 2001).

In perhaps the most interesting approach, a list of tasks derived from board roles and used in coding transcriptions of actual board meetings was detailed in recent research by Machold and Farquhar (2013). These authors developed thirteen board tasks for their coding framework, allocated to one of five role categories (monitoring and control, service, strategy, dealing with external events, dealing with internal events). These last two categories are a deviation from most other categorizations, and were due to the observation that boards in reality spent considerable time on both being passive consumers of the dissemination of information, and in dealing with legal and compliance issues. This seems to accord with anecdotal evidence from board practitioners that boards spend a lot of time

'ticking boxes' to comply with increasing levels of regulation and a lot of time listening to operational status reports, as well as the direct quotes from directors in Concannon and Nordberg (2017).

Research studying the impact of shared leadership on board task performance has highlighted the impact of allowing those directors better able to lead the group at various times according to the subject at hand (e.g. directors who may be financial experts or IT experts) to do so. As this effect has been previously studied in other groups with cognitive outputs, where significant benefits have been shown, the authors have posited a similar effect on performance in control and service tasks for boards (Vandewaerde et al., 2010).

2.8.3 Board Cohesiveness

In a widely cited work, Festinger (1950, p. 274) defined cohesiveness as “the resultant of all the forces acting on the members to remain in the group”. A later definition from the domain of sports psychology offered “a dynamic process which is reflected in the tendency for a group to stick together and remain united in the pursuit of its goals and objectives” (Carron, 1982, p 124). At least one study has treated cohesiveness as an emergent state rather than a process, and posited that it has a positive effect on what they termed “group viability”; this latter was however defined in such a way to be fairly close to Carron’s definition of cohesiveness above (Jehn et al., 2008, p 468).

Much of the literature supports some sort of positive relationship between group cohesiveness and group performance (Kozlowski & Ilgen, 2006), even if the precise nature of that relationship has not been entirely clearly characterized. At least one study however, found that group cohesiveness was an antecedent of group performance, but the reverse relationship (which had been hypothesized by the authors) did not exist (Chang & Bordia, 2001). The finding of an absence of a causal relationship from group performance (self-rated) to cohesiveness was in direct opposition to early research (in a group of deep sea divers) where performance over time was found to engender cohesiveness, but not vice versa (Bakeman & Helmreich, 1975). This may have been due to the fact that in this latter case

team performance was taken to be mean total hours the team spent on task performance, or an effect of observing cohesiveness during leisure time (only), or perhaps the fact that performance was a temporal antecedent to cohesiveness is inherent in the cohesiveness construct (some time is obviously required for a group to become cohesive (Beal et al., 2003)).

One approach to understanding the way that group cohesiveness may be measured is that of 'perceived' cohesiveness. In their paper, Bollen & Hoyle (1990) chose to define cohesiveness as a combination of the sense of belonging to the group, and of feelings of morale; both as appraised by the individual. This research is interesting because it took a subjective approach to cohesiveness, rather than going down the objective path of observing and timing interactions as proxies of cohesiveness as did others (e.g. Bakeman and Helmreich (1975)).

However, Bollen and Hoyle's (1990) assertion that the cumulative effect of individual perceived cohesiveness can be used to characterize group cohesiveness stands on somewhat shaky foundations on both theoretical grounds as both Beal et al (2003) and Kozlowski & Ilgen (2006) take issue with confounding individual with group levels of analysis, and practical grounds, as an individual's perceived cohesiveness must remain invariant, and the total population of the group must be sampled.

It has been asserted that cohesiveness performs an important role in linking group outcomes with group processes, but that just how cohesiveness fits in, and the direction of causality, is unclear (Beal et al., 2003). The authors of that research posited that there are efficiency gains to be had by cohesive groups by way of greater motivation to complete tasks and because of a level of comfort amongst group members (which may lead to increased use of transactive memory, 'knowing who knows what' for example). For this reason they felt that investigating efficiency (where inputs were taken into account) rather than effectiveness outcomes (where inputs were not taken into account) would demonstrate stronger correlations between cohesiveness and performance. Their meta-analysis of 64 articles on the components of cohesiveness also found the correlation to be much greater where performance was defined as behaviours rather than outcomes of those behaviours (since these were

likely to include exogenous factors (Kozlowski & Ilgen, 2006)), and where the workflow of the group (task interdependence) was such that teamwork and collaboration was required (Beal et al., 2003).

Beal et al. (2003) determined that three components of cohesiveness commonly used in research all had positive effects on performance: in ascending order of effect, interpersonal attraction, group pride and task commitment. Unfortunately results comparing these individual components of cohesiveness to behaviour/outcome, efficiency/effectiveness and workflow were not as conclusive due to sample size issues. Kozlowski and Ilgen's (2006) commentary on various meta-analyses restated Beal et al.'s position that many previous meta-analyses had confounded group-level and individual level effects and that under conditions of task interdependence the relationship between cohesiveness and performance is stronger, and asserted that group cohesion is best understood as an emergent state, and is related to group performance in a perhaps reciprocal fashion.

Despite a number a research papers on cohesiveness being published in organizational literature (sufficient to conduct meta-analytic studies, e.g. Beal et al. (2003)), very little that directly examines the components or dimensions of cohesiveness in boards of directors exists. An exception is a recent paper that investigates political skill and its effects on cohesiveness through interpersonal attraction, and the way that this in turn influences team performance (Lvina, Johns & Vandenberghe, 2018). In contrast to a number of studies in the psychological literature which have examined cohesiveness (Bakeman & Helmreich, 1975, Stockton, 1981, Bollen & H., 1990, Cota et al., 1995), board literature has focussed largely on the effects of structural variables such as diversity (e.g. Erhardt, Werbel and Shrader (2003)) and size (e.g. Muth and Donaldson (1998)) on the social cohesiveness of the board. Even then, cohesiveness has typically been investigated either only as one of a number of precursors to financial performance of firms (or where firm performance has been used as a proxy for board performance) e.g. Dalton et al. (1999), or as a mediator between diversity and groupthink, rather than focussing on how cohesiveness *per se* is to be understood in the board context.

2.8.4 The Effects of Conflict on Board Task Performance

Board tasks can be broadly divided into several categories: monitoring, control and review tasks; service tasks (such as advice, mentoring, resource provision); strategy tasks (influencing, shaping and taking strategic decisions); and dealing with internal and external contingencies such as legal problems, changes in regulatory environment, and loss of key staff (Machold & Farquhar, 2013). In the Forbes and Milliken (1999) model of board effectiveness, the authors assert that task conflict had a positive influence on board task performance, along with effort norms and use of knowledge (the authors had nothing to say on the effects of other conflict types).

Many authors agree that there is a generally positive effect for task conflict on task performance (e.g. Jehn & Bendersky, 2003, DeChurch, Mesmer-Magnus & Doty, 2013); this is certainly true when performance is measured by decision quality (Bailey & Peck, 2011, de Wit, Greer & Jehn, 2012, O'Neill, Allen & Hastings, 2013) and when the group is a TMT (de Wit, Greer & Jehn, 2012), with a slightly negative effect in other cases (de Wit, Greer & Jehn, 2012, O'Neill, Allen & Hastings, 2013). This would tend to suggest a positive effect for an elite decision-making group such as a board.

However it may be that the effect is only positive for divergent task conflict (e.g. ideation and determining options) and not for convergent task conflict where all must agree according to Bendersky et al. (2010). This is supported by a negative association between task conflict and cooperative team behaviours, and a positive association with competitive behaviours (O'Neill, Allen & Hastings, 2013). Zacharakis, Erikson and George (2010) reported such a decrease in cooperative behaviours deriving from task conflict between entrepreneurs and VCs (though only from the entrepreneur's point of view, the VCs viewed such conflict favourably). Whether this was intra-, inter-, or inter-sub-group conflict though is unclear.

Also in the context of a startup company, Collewaert (2009c) reported that task conflict could lead to a decrease in information sharing, increased competitive behaviour between subgroups, and even an intention to exit the venture (although these effects were mitigated in organizations with a generally low level of all types of conflict). Groups such as boards may weaken any negative effect of task

conflict on emergent states such as group trust (and thereby on task performance) by means of open task conflict norms, the acceptability of airing any task conflict within the group (Jehn et al., 2008). These finer gradations of effect may explain the more equivocal results obtained by some other authors in the board effectiveness domain (e.g. Minichilli et al., 2012).

One way in which task conflict may have an indirectly negative effect on task performance is that it may engender increased relationship conflict (Bendersky et al., 2010). In contrast to task conflict, relationship conflict has been fairly universally considered to have an unhelpful effect on task performance (Jehn & Bendersky, 2003, Jehn et al., 2008, Curşeu, 2011, Shaw et al., 2011, de Wit, Greer & Jehn, 2012, DeChurch, Mesmer-Magnus & Doty, 2013, O'Neill, Allen & Hastings, 2013). It may affect task performance in several ways: indirectly, by amplifying the negatives aspects of task conflict (de Wit, Greer & Jehn, 2012) and changing the shape of the task conflict team performance relationship curve (see Figure 2 below) from an inverted U when relationship conflict is low, to linear and negative when high (Shaw et al., 2011), or by precluding a shared leadership approach that has been posited to have a positive effect on service and control tasks for boards (Vandewaerde et al., 2010); or directly, by decreasing cooperative team behaviours and increasing avoidance behaviours (O'Neill, Allen & Hastings, 2013), or loss of focus on the task (Jehn & Bendersky, 2003, Jehn et al., 2008) leading to difficulty in completing board tasks.

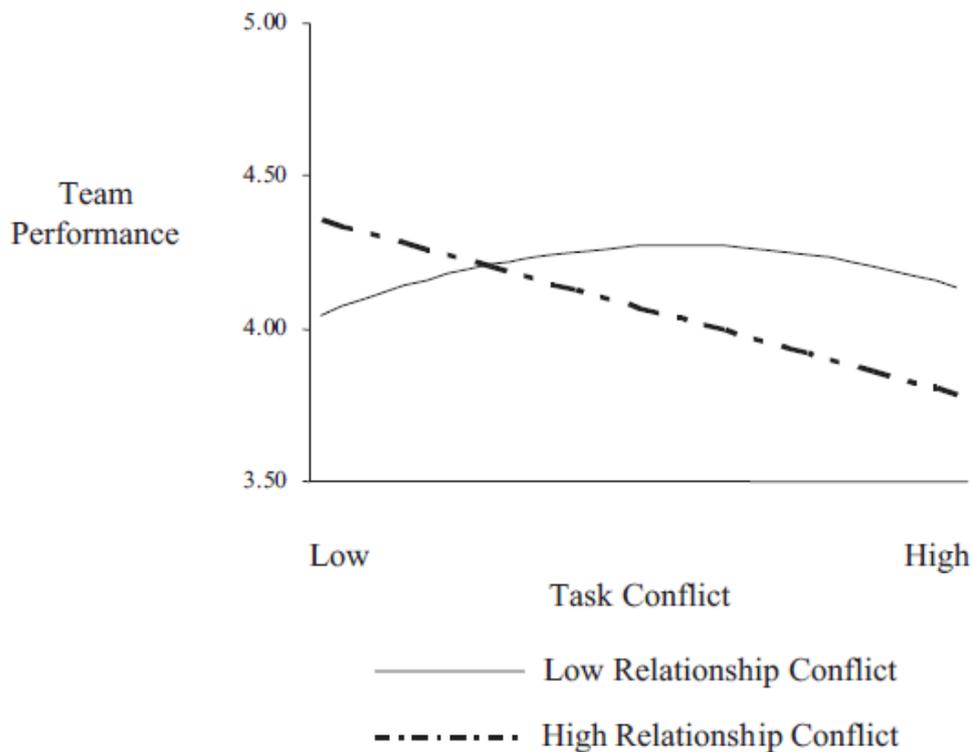


Figure 2 Interaction between Relationship Conflict & Task Conflict, and Team Performance.

Source Shaw et al (2011)

Relationship conflict appears to have a more negative effect on interdependent work groups (such as boards) than on project based teams (de Wit, Greer & Jehn, 2012). Research on Angel investors and entrepreneurs has shown a very significant deleterious effect on innovation in this environment, although the measure for innovation was based on secondary financial data and therefore difficult to exclude effects external to the in-group conflict from it (Collewaert, 2009c).

While the presence of negative emotion (perhaps not always relevant for boards), by affecting both process and performance (Jehn et al., 2008), and different perceptions of the level of relationship conflict (Jehn, Rispens & Thatcher, 2010), have been shown to increase the negative effect on team performance, leadership style has been shown to moderate the negative effects of this type of conflict on teamwork quality (Curşeu, 2011), suggesting that the Chair may have some opportunity to

moderate adverse effects in a board context. One such approach is to ensure that the board does not have open conflict norms for relationship conflict (in contrast to task conflict), as these can increase the effects of such conflict (Jehn et al., 2008).

The third type of conflict, process conflict, has also been found by research to have negative consequences for the task performance of teams such as boards, as it has a particularly negative effect on interdependent decision tasks where each member brings their own skills and knowledge to bear, but requires others to participate to solve the problem (Greer, Caruso & Jehn, 2011). Process conflict leads to increased relationship conflict (Bendersky et al., 2010) and increases the negative effect of relationship conflict (de Wit, Greer & Jehn, 2012), as well as directly affecting team performance in a negative fashion (Behfar et al., 2011, de Wit, Greer & Jehn, 2012); although one study found that this association could be positive or negative depending on the timing.

Process conflict could be positive if it was early in the group's life (debates about the allocation of tasks between members and schedules for instance), but should remain low thereafter to avoid negative effects on performance outcomes such as the diversion of group time to discussing administrative rather than substantive matters, or discussions around workloads progressing to relationship conflict (Jehn & Bendersky, 2003). This type of conflict has also been found to have a negative relationship with proximal team outcomes such as trust (de Wit, Greer & Jehn, 2012).

Given the fact that the authors of one research project asserted that process conflict had the most negative effect of any conflict type on team performance (O'Neill, Allen & Hastings, 2013), it is of interest to note, especially in the startup board context, that two authors found no negative effects from process conflict on innovation (Collewaert, 2009c, O'Neill, Allen & Hastings, 2013), or in fact any effect at all (O'Neill, Allen & Hastings, 2013). Perhaps the finding that groups that have high perceived resolution efficacy (the perception that the group is likely to be able to resolve the conflict) moderates the effects of process conflict (Jehn et al., 2008) is relevant here, with innovation-driven teams relatively more confident of their abilities to push past any problems, although this is only conjecture.

2.8.5 The Effects of Conflict on Board Cohesiveness

There are many slightly varying definitions of cohesiveness, covering areas such as the desire for group to stay/work together (group commitment), morale, feelings of belonging, commitment to the group's task, and interpersonal attraction. Beal et al. (2003) contend that of these (in increasing order of effect), interpersonal attraction, group pride and task commitment were the most significant. All three types of conflict (task, relationship and process) decrease cohesiveness by acting on one or more of these (or other) components of cohesiveness according to Jehn et al. (2008).

Forbes and Milliken (1999) assert that task conflict has a negative influence on cohesiveness, but that it also moderates the relationship between cohesiveness and task performance (in that cohesiveness is less likely to undermine performance when there is also task conflict present). There is a general consensus that task conflict has a slightly negative effect on cohesiveness, and a much greater effect on proximal group outcomes such as group member satisfaction (Jehn & Bendersky, 2003, de Wit, Greer & Jehn, 2012) and trust (de Wit, Greer & Jehn, 2012). On the other hand task conflict acceptability norms have positive effects on cohesiveness (Jehn et al., 2008) which may mitigate against these effects. Task conflict may however exert a positive effect on team affect (DeChurch, Mesmer-Magnus & Doty, 2013) which may equate to morale, considered a component of cohesiveness by some authors (e.g. Bollen & Hoyle, 1990).

Relationship conflict has been found to have negative effects on many elements of cohesiveness (Petrovic, 2008, de Wit, Greer & Jehn, 2012). It has for example a negative influence on group trust (de Wit, Greer & Jehn, 2012), team satisfaction (Jehn & Bendersky, 2003, Shaw et al., 2011), team affect (DeChurch, Mesmer-Magnus & Doty, 2013) and team self-belief (O'Neill, Allen & Hastings, 2013). It has by definition a negative effect on interpersonal attraction. Similarly, process conflict appears to have consistently negative impact on cohesiveness, also affecting group satisfaction (Jehn & Bendersky, 2003, Behfar et al., 2011), group coordination (Behfar et al., 2011), and group trust (de Wit, Greer & Jehn, 2012). In addition process conflict serves to increase the amount of (Bendersky et al., 2010), and to increase the negative effect of (de Wit, Greer & Jehn, 2012), relationship conflict.

An inverse relationship between cohesiveness and conflict was demonstrated in a study of new ventures where the ‘sense of belonging’ component of cohesiveness was shown to have a strong negative effect on task conflict and a mildly positive effect on relationship conflict, but the ‘feelings of morale’ component had a strong negative influence on relationship conflict, and a strongly positive effect on task conflict. (Ensley, Pearson & Amason, 2002).

2.8.6 The Effects of Power on Board Task Performance

In a finding linking power to process conflict, Greer, Caruso and Jehn (2011) discovered that high power teams have more process conflict and perform less well than low power teams because of it, for the reasons detailed previously. This effect is lessened when all in the team have a realistic view (in the eyes of the other team members) of their own relative power within the team (this is known as interpersonal power congruence). Power may also be used by members of the group to maintain or resolve conflict, with its attendant effects on task performance (Sell et al., 2004) or used to counter the risks arising from trust (Huxham & Vangen, 2004). Conversely, when power appears to be unequally distributed amongst those who are in an ostensibly collaborative relationship, such amongst members of a board, these sensitivities to “imbalance inevitably lead to feelings of mistrust” (Huxham & Vangen, 2004, p.173).

More specifically relevant to a board setting, the power to set the agenda for board discussions and decision-making has been studied by Peebles (2010) who determined that there is generally passive acceptance of the agenda by directors, and while they do not believe that the board is captive to the interests of any one person or coalition, there is no process in place to ensure that it has not in fact been hijacked. This would seem particularly important in larger organizations where directors may not be close to the activities of the company. A more general finding that non-executive directors do not feel that they have the power to engage with strategy, rather only with control and monitoring board tasks (Pettigrew & McNulty, 1998), is possibly also related to perceived distance from company activities.

Sources and uses of power in the context of a particular board role (the Chair), and tasks subject to the influence of power were identified in research published by McNulty et al. (2011). This work illustrated the ways power could influence both the tasks performed by boards, and the way that these tasks were performed. In the Board's resource role, tasks were influenced by the power to initiate and maintain dialogue with investors, other stakeholders, and regulators. Control role tasks were affected by the power to create the structures in which the board performed its tasks, such as board committees, the way in which management was controlled, the power to select other directors, and the power to make policy. Strategy role tasks were influenced by a wide range of power sources, including the power to plan for management succession, to develop strategy, to approve mergers, to enter new markets, to control the use of IT, to determine management structure, and to approve finance raising (McNulty et al., 2011).

2.8.7 Summary – Team Effectiveness

Group effectiveness has been the subject of many studies in both the behavioural science and organizational literature over the years. A team is defined as a particular type of group, and the fact that the definition from the literature would seem to include boards, means that findings from team effectiveness literature and the constructs used, may be employed in the understanding of board effectiveness. Payne, Benson & Finegold, 2009, and Vandewaerde et al., 2011a explicitly supported this equivalence.

The literature offers multiple ways of thinking about team effectiveness, with various dimensions identified, although most models included the two aspects of performing tasks, and the way in which the group interacted with each other. Forbes & Milliken (1999) proposed specific that only two criteria were required for the evaluation of boards as a specialized and specific type of team or workgroup, these being the board's task performance and cohesiveness (continued ability to work together). Evaluating task performance requires understanding the board's roles and task, discussed in earlier sections.

Board cohesiveness can be understood, according to previous research by Beal et al. (2003) as having the components of pride in the group, interpersonal attraction, and commitment to the task. This finding allows us to investigate the effect of group processes such as conflict and power on these components as a way to understand cohesiveness and thus board effectiveness.

2.9 Early Stage High Technology Ventures

Early stage high technology ventures are characterized by the presence of entrepreneurial founders and of investors willing to invest ‘risk capital’ in the hope of exiting the venture having made profits which are large multiples of their original stake (e.g. Sequoia capital invested US\$12.5 million in Google; at IPO these share were worth approx. US\$2.5 billion. Had they held them until 2013, the stake would have been worth approx. US\$29 billion). The lack of established cultural norms in such organizations, and the fact that blockers of leadership (and for that matter, alternative leaders) may not exist in early stage ventures, may lead to not only a greater leeway in the way the founders behave and the decisions they can take (and by extension, other board members), a but affect organizational culture well beyond their tenure according to Klotz et al. (2014).

The theoretical context of top management and governance teams in early stage high technology ventures may thus differ significantly from more mature companies, and also from lower level management teams (e.g. project managers) within such organizations. We are warned by Zhang, Baden-Fuller and Pool (2011) to “adjust our theorising and our understanding of practice” with respect to boards in this class of firm (Zhang, Baden-Fuller & Pool, 2011, p. 96). One major difference between the boards of emerging entrepreneurial companies, and more mature businesses is that the former may often be deliberately chosen by the shareholders to complement the skillsets found in the top management team, and in fact have an explicit mission to add value; not just perform the monitoring and control functions which may be expected (Zhang, Baden-Fuller & Pool, 2011).

Venture capital backed firms have boards that play a more active role than others, and this can lead to differing expectations of board roles by entrepreneurs and VCs (Gabrielsson & Huse, 2002), possibly leading to conflict in these boards. It is unclear whether Angel investors mirror VCs in their expectations. However, both VCs and CEO felt that by far the most important task of the board was to concentrate on strategy-making in one study of VC backed firms in the Swedish context (Gabrielsson & Huse, 2002).

Just how significant the service role of the board is depends on the resource profile of the venture. According to recent research where the sample organizations came from a high-tech region in Belgium, entrepreneurial companies that have fewer technology resources and less R&D expertise (e.g. with a founder who has a marketing rather than engineering background), or that have a less diverse TMT, or which have greater financial resources, or are earlier in the technology development cycle; obtain higher levels of support in the service role from non-executive directors (NEDs) on the board (Knockaert & Ucbasaran, 2011). These findings may not hold for companies from other locations where greater or lesser numbers of 'technology-minded' individuals are to be found, and thus available to serve on boards.

In the United States (the most studied context), new ventures in the innovation space contribute to economic growth well in excess of their numbers, but also are prone to failure due to being unable to overcome of the disadvantages of their newness with sufficient speed (Sapienza & Amason, 1993). Additionally, many entrepreneurial founders are focused solely on technological innovation rather than paying attention to market development, which was found to be the source of much founder-investor friction and conflict by Sapienza and Amason (1993), especially in the very early stages.

The founder's technological expertise, and the resulting informational disadvantage for the investor (and perhaps thus power imbalance), may also be an important precursor to conflict between these actors. This conflict can affect the quality of decision outcomes in the uncertain environment in which early stage high-technology ventures operate according to Amason & Schweiger (as cited in Sapienza & Amason, 1993, p.42). In the case of VCs, at least one study has found that the relationship and interactions between VC and founders could be seen as very important to firm performance (Gabrielsson & Huse, 2002)

Although many successful founders of high technology companies have been lone entrepreneurs, research has shown that in the US at least, the majority of new ventures are in fact founded by teams (Klotz et al., 2014). One US researcher found that only 10% of companies in her sample of 173 had

been founded by solo entrepreneurs (Beckman, 2006); it is unclear whether the same may be true in the Australian context.

2.9.1 Entrepreneurs

Early research in the field of entrepreneurship tended to the documentation of the places that entrepreneurs occurred, or the kinds of personality traits they had, rather than any real attempt to understand the phenomenon. These studies, by their nature, also concentrated on only those entrepreneurs who had found success (Low & MacMillan, 1988).

Many of the studies published up until the late 1980's used the 'strategic adaptation' approach, in which the goal-driven behaviour of entrepreneurial individuals was key. Towards the end of this period, the perspective of 'population ecology', which held that adaptation to the environment was the main determinant of success, came to challenge this approach. Some entrepreneurship research based on psychological theories was also undertaken in the period, but again tended to focus on the characteristics of the individual, rather than studies which located the entrepreneur in an organizational or interpersonal context. Exceptions were works taking a socio-cultural (e.g. Shapero and Sokol) or network theory (e.g. Birley) viewpoint (Low & MacMillan, 1988).

In a more recent survey of the entrepreneurship research domain, Carlsson et al. (2013) noted two main, broad, and incompatible, approaches to the field. The first of these is explorative, micro-oriented, and concerned with the entrepreneur; uncovering opportunities and how the individual exploits those opportunities (though broadening out from the earlier studies of characteristics). A prize winning (Global Award for Entrepreneurship, which rewards entire bodies of work) example of this orientation is the work of multiple researchers in the Diana Group in the area of female entrepreneurship. The second approach works at the aggregate, and focuses on the new enterprise and how that can advance economic progress. The aggregate approach has included prize winners such

.Josh Lerner for work in venture capital backed entrepreneurship and Maryann Feldman for research on regional industry clusters. One of the newer areas for research is that of Social Entrepreneurship, at the interface of entrepreneurship and human welfare (Carlsson et al., 2013).

This bifurcation of the entrepreneurial domain seems however to ignore the critical and textual research approaches to the phenomenon of entrepreneurship, of which multiple examples may be found in Hjorth and Steyaert (2004). Often narrative and discourse around entrepreneurs serves not only to confer legitimacy on entrepreneurial effort, but also to validate the virtue of entrepreneurship and to promote entrepreneurship as exemplifying principles such as perseverance, individuality and independence; these being held in some esteem by many Western societies.

Such narratives include themes such as the overcoming of personal and class disadvantages, and the entrepreneur succeeding despite the almost insurmountable odds stacked against him (male protagonists in these narratives have predominated) through sheer self-belief (Smith & Anderson, 2004). Given the importance of entrepreneurs to the economy, an examination of these effects may be useful by illuminating interesting facets of entrepreneurship.

Klotz et al. (2014) suggest that much entrepreneurial research has been employed upper echelons perspective from the strategic management discipline. It has concentrated on relationships between characteristics and other inputs and firm-level outcomes such as revenue growth, and used secondary data. In doing this it has excluded mediating mechanisms and moderating factors (at least partly because primary data has not been collected). Klotz et al. advocate that IMO (input-mediator-output) models should be used as they are “comprehensive” and “robust”. These IMO models have been widely used and further developed (e.g. IMOI) elsewhere; this perhaps illustrates that entrepreneurial studies are only just beginning to venture into the techniques used by scholars of organizational behaviour. This meta-analysis also points out that most literature on new venture teams (NVT) is focussed on effects on firm-level outcomes – distal, rather than proximal, and that these outcomes may be more affected by externalities than by the phenomenon under study (Klotz et al., 2014).

Psychological ownership of a venture by the founders can exist without corresponding equity ownership if other determinants besides control exist (insider knowledge and self-investment). This means that entrepreneurs are willing to put up with lesser returns for long periods of time, however once threshold has been reached they will abandon ship. In fact mediocre firm performance may actually increase subjective attachment to the venture (Townsend et al., 2009). Wasserman (2008) notes (anecdotal evidence) that founders may believe that only they are capable of running their startup, “Founders are usually convinced that only they can lead their startups to success” (Wasserman, 2008, p. 104).

An interesting observation has been made on the nature of entrepreneurs and their worth to more general organizational research by Klotz et al. (2014, p.249):

There are many ways in which NVT research can contribute to the organizational behavior/human resource management ... literature. First, as entrepreneurs, NVT members tend to exhibit extreme characteristics with respect to dispositions such as optimism, self-efficacy, and positive affect ... This is so because the odds for failure are high and the start-up process is fraught with uncertainty; ...NVT members may therefore represent a population of outliers in which the boundaries of theory on teams ... can be tested.

NVT as used here refers to New Venture Teams.

2.9.2 Informal Venture Investors (Angels)

Many studies on Angels (informal venture investors) and VCs (formal venture investors) have concentrated on how these venture investors make their funding decisions, or on exit strategies or other economic topics (e.g. Madill, Haines Jr & Riding, 2005, Sudek, 2006, Bruton et al., 2010, Fairchild, 2011, Hsu et al., 2013), rather than what happens after an investment is made.

Angels are wealthy individuals who invest their personal funds in similar ventures to VCs but typically at an earlier stage (Ibrahim, 2008) and thus with lower valuations and higher risks attached

(i.e. cheaper to buy in to them, but much riskier investments). Angels and VC have differing investment objectives (Hsu et al., 2013), with Angels tending to emphasise reducing agency risks after they have invested, VCs beforehand. VCs also place greater importance on market risks than do Angels (Osnabrugge, 2000). Angels assign relatively more importance than VCs to the founders and the overall fit of the investment (Mason & Stark, 2004). Hsu et al. (2013) contend that Angels place higher value on the ventures strategic readiness for funding, and on “affective passion” (Hsu et al., 2013, p. 10) of the entrepreneur, whereas to VCs economic potential matters relatively more than to Angels. Equal weight was put on human capital from both types of investor.

One of the main differences between these two types of venture investor is that Angels supply non-financial resources (social, human and organizational) in addition to finance to increase returns (for them) and decrease risks (Ardichvili et al., 2002). In a review of the literature Politis (2008) categorized the value added activities as sounding board and strategic role, supervision and monitoring role, resource acquisition role, and mentoring role; i.e. exactly those roles which a board usually undertakes. Angels are also often motivated by a desire to give back to the high technology industry which provided their wealth, or to fund ‘cool’ ventures, and often prioritise non-economic reasons for their activities (Morrissette, 2007). They can range from passive to extremely active (Macht, 2011) though tend to act more like partners than VCs do (Ardichvili et al., 2002), and even Angels with no knowledge or experience relevant to the business sector of the venture can add value by advising on people-centred activities such as mediating between board members, informal conversations with the CEO and being generally encouraging (Macht, 2011).

Another important difference is that in contrast to Angels it is important to note that while VCs are appointed to the board as individuals, they are there as institutional representatives (of one organization, or of a whole class of investors) and may therefore bring at least some organizational cultural artefacts with them to the board context. This may very well bring aspects of inter-organizational rather than intra-group dynamics into play, and make direct comparisons of results between results of research into board conflict involving VCs (Yitshaki, 2008, Zacharakis, Erikson & George, 2010) and expected results for Angels difficult.

2.9.3 Summary - Early Stage High Technology Ventures

Zhang, Baden-Fuller and Pool (2011) claim that the theoretical context of startups differs from more mature business, and that this particularity should be acknowledged in research in this organizational domain, including the fact that boards may be more active, and occasionally behave as managers, particularly in the case of directors who themselves may have entrepreneurial experience. Some understanding of the distinctive nature of entrepreneurial founders and early venture investors as directors would seem to be required for understanding of startup businesses.

Entrepreneurial literature appears to be divided into research into entrepreneurs and their actions and motivations, research into the results of entrepreneurship i.e. entrepreneurial companies, and a critical stream around entrepreneurial discourse that seeks to understand themes, narratives, and phenomena of entrepreneurship. This latter stream is central to exploring the way that Angel investors and founders interactions proceed in the boardroom.

Angel investors appear as objects of study relatively seldom in research into startups, and more rarely in critical work in this area. These lacunae offer opportunities to contribute to the body of knowledge in the area of board effectiveness, startups, and critical studies.

2.10 Summary of Literature Review

The literature contains many calls for more behavioural research on boards which uses primary data, as the structural, input-output approach has dominated past research (Hough, McGregor-Lowndes & Ryan, 2005, van Ees, Gabrielsson & Huse, 2009, Huse et al., 2011). There have also been calls to use other theories besides those derived from legal and economic disciplines, as they have a contribution to make (Eisenhardt, 1989, Pye & Pettigrew, 2005, Roberts, McNulty & Stiles, 2005, Hambrick, Werder & Zajac, 2008), and to look at the actual process of boards (van Ees, Gabrielsson & Huse, 2009). These calls have also been for specificity, for more behavioural effectiveness research situated in specific board contexts, something that has been overlooked in the past (Gabrielsson & Huse, 2004, van Ees, Gabrielsson & Huse, 2009, Huse et al., 2011).

Much has been written about board roles and tasks, and there is general agreement on strategic, service and monitoring roles (Levrau & van den Berghe, 2006, Nielsen et al., 2008, Ong & Wan, 2008), although these may vary in importance according to life stage of the company. For startup boards monitoring is less important, service and strategy roles more so (Filatotchev, Toms & Wright, 2006, Levrau & van den Berghe, 2006, Nielsen et al., 2008, Ong & Wan, 2008, Zhang, Baden-Fuller & Pool, 2011). We know what theory tells us boards (including startup boards) should be doing, the tasks inherent in the various board roles, and how they make decisions.

The literature has also shown that boards are episodic and elite decision-making teams (Forbes & Milliken, 1999), subject to group constructs such as power (Pettigrew & McNulty, 1998, Hambrick, Werder & Zajac, 2008, Peebles, 2010, McNulty et al., 2011) and intra-group conflict (van Ees, Gabrielsson & Huse, 2009). Forbes and Milliken's model for board effectiveness (where effectiveness = task performance + cohesiveness) has been backed by others (Levrau & van den Berghe, 2006, Petrovic, 2008), and the literature has provided an understanding of board task performance (Forbes & Milliken, 1999, Vandewaerde et al., 2010, Bailey & Peck, 2011, Minichilli et al., 2012, Machold & Farquhar, 2013).

In the area of group level constructs that can be applied to boards, a proven model for intra-group conflict exists, the ICS (Jehn, 1995, Jehn, 1997), in which conflict is categorized as task, relationship or process conflict. A lot has been written on intra-group conflict, some on board conflict, although little on conflict within early stage high technology startups, barring the work of Collewaert (Collewaert, 2009c, Collewaert, 2011, Collewaert & Fassin, 2011a). While comparatively little has been written on power on boards (extant literature is mostly on inter-group power dynamics) despite calls for more research in this area (Hambrick, Werder & Zajac, 2008), there is a useful four-dimension model for power on boards (Pettigrew & McNulty, 1998) which consists of contextual factors, structural conditions, content of influence, power sources and will and skill to use power.

The literature informs us of the predicted effects of both conflict and power on the components of board effectiveness, namely task performance and board cohesiveness. With the exception of task conflict, which may have positive effects on task performance (Jehn & Bendersky, 2003, DeChurch, Mesmer-Magnus & Doty, 2013), conflict has negative consequences for both components of effectiveness (Jehn & Bendersky, 2003, Jehn et al., 2008, Curşeu, 2011, Shaw et al., 2011, de Wit, Greer & Jehn, 2012, DeChurch, Mesmer-Magnus & Doty, 2013, O'Neill, Allen & Hastings, 2013). Power may have more subtle effects, but its use may engender conflict effects.

In terms of startup ventures and their investors, we know they are an important and interesting class of company (Sapienza & Amason, 1993, Zhang, Baden-Fuller & Pool, 2011, Klotz et al., 2014) with particularities that make them so. One of these is the presence of both entrepreneurial founders who are often driven individuals with high psychological ownership of the venture (Townsend et al., 2009), and Angel investors who may have reasons other than economic (Morrissette, 2007) and may act more like extensions of the management team than investors (Zhang, Baden-Fuller & Pool, 2011). Despite their importance to the startup company ecosystem, and in contrast to entrepreneurs, Angels have been comparatively little studied.

CHAPTER 3 CONTEXT

3.1 Introduction

The previous chapter has provided a theoretical context for this thesis. The aim of this chapter is to provide socio-economic, political and discursive context for the study, and detail the role that startup businesses, their founders, and their investors play. Before the relatively recent interest in entrepreneurship (or more specifically, interest in becoming an entrepreneur) outside of entrepreneurial hotspots such as Silicon Valley and Israel, high technology early stage ventures or ‘startups’ have figured in popular culture and in the public imagination mainly after they have achieved a large measure of success, e.g. Facebook or Twitter in the US; made the transition to a public company through an initial public offering, e.g. Atlassian in Australia; or are purchased by a larger corporation such as Google, Cisco or Microsoft. Orders of magnitude more of them remained forever unknown to the public. Investors in startup businesses are even less visible, and less well understood outside of Silicon Valley and similar entrepreneurial geographic clusters.

3.1.1 Definitions

While there is perhaps no absolute agreement on what exactly constitutes a startup or Angel in what is a fast moving field, it is helpful to have working definitions of these terms. The following definitions have in general been used in this research, with any divergence from them noted where used.

Startup - the working definition of a startup used by StartupAUS, a non-profit group made up of representatives from the early stage venture ecosystem in Australia is “an emerging high-growth company that is using technology and innovation to tackle a large and most often global market” (StartupAUS, 2015, p. 10).

Venture Capitalist – venture capitalists, most often called VCs, are general partners in firms that raise capital from wealthy individuals and institutional investors (who are the limited partners in the funds) for the purpose of making investments in early stage companies. VCs earn profits from management fees, a percentage of funds invested, in addition to a percentage of any profits from sale of equity

positions in investee companies (a figure of around 20% is commonly understood, although 30% or even higher is not unknown), known as the carry (AVCAL, 2012). Micro-VCs are generally much smaller pools of funds that may invest at an earlier stage than VCs, and may compete or co-invest with Angel investors (StartupAUS, 2015).

Angel investors – or Angels, are venture investors who invest their own or their family’s funds directly in new, high growth businesses with which they are not otherwise affiliated, i.e. not their own or their family’s business (Mason & Harrison, 1995), and are often looking to contribute their skills and experience to startup ventures, in addition to the investment of capital (Ardichvili et al., 2002). Not all informal venture investors (as opposed to formal venture investors, or VCs) who would be classified as Angels by this definition would however choose to identify as such; conversely some Angels are members of more formal groups, invest in a syndicated manner, and contribute to ‘sidecar’ investment funds run by these groups. The terms Angel and informal venture investor are used interchangeably in this dissertation.

Equity investors at the seed, early, and later stage of growth

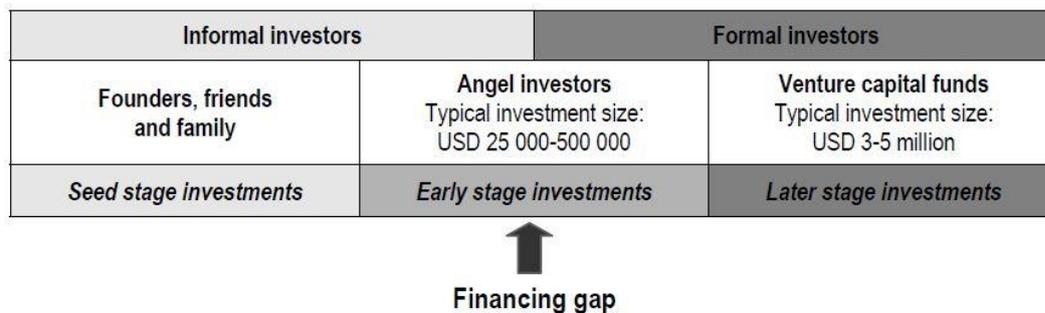


Figure 3 Equity Investors in Early Stage Companies
Source: (OECD, 2011)

3.1.2 Overview

A typical startup is initially funded (the seed stage) by the founders, and others in their family and friendship circles, or occasionally by employers or research institutions with which they may be associated. Venture capitalists (VCs), who raise investment funds (\$US50 - \$500 million) from wealthy individuals and institutional investors will often only invest in companies with

demonstrable success (in sales, generating ‘buzz’ or ‘hype’, or the object of public interest) and that have exit plans, and they look to invest relatively large amounts for significant equity stakes. A dollar value of between \$2m and \$10m is typical in Australia (StartupAUS, 2016a).

Startup businesses looking to achieve greater scale, and who have outgrown founder funds but are not yet in a position to seek VC investment often turn to Angel investors (most often known simply as Angels, and who may be considered as informal venture capitalists) for funding. From the definition above, Angels are those individuals who invest their own funds, rather than pools of funds raised from investors, in early stage companies, and contribute their expertise, ideas and networks (Ardichvili et al., 2002) to guide it to success and a profitable exit for themselves. Angels typically invest in companies at a stage in their lifecycle before VCs are willing to invest, although these investment stages may also overlap, especially with micro-VCs.

HERE'S A CHART OF THE DIFFERENT TYPES OF MONEY BY STAGE

MONEY NEEDED	<\$50K	\$50K-\$500K	\$500K TO \$1M	\$1M TO \$5M	\$5M TO \$25M	\$25M TO \$100M	>\$100M
SIDE JOBS	YES						
CREDIT CARDS	YES	YES IF PRUDENT					
YOUR SAVINGS	YES	YES IF AVAILABLE					
FRIENDS & FAMILY	YES	YES IF AVAILABLE	YES				
KICKSTARTER/FUNDABLE	YES	YES	YES				
BANKS		YES	YES				
ANGEL INVESTORS		YES	YES				
SUPER ANGELS			YES	YES			
SEED STAGE VC			YES	YES			
GROWTH STAGE VC				YES	YES		
MEZZANINE DEBT					YES	YES	
LATE STAGE VC					YES	YES	
PRIVATE EQUITY						YES	YES
PUBLIC MARKETS							YES
PIPES							YES
CORPORATE BONDS							YES

Figure 4 Sources of Funding

Source: Buzinga (The Secret to Acquiring Venture Capital Investment in Australia, n.d.) , original data from The Startup Muster report

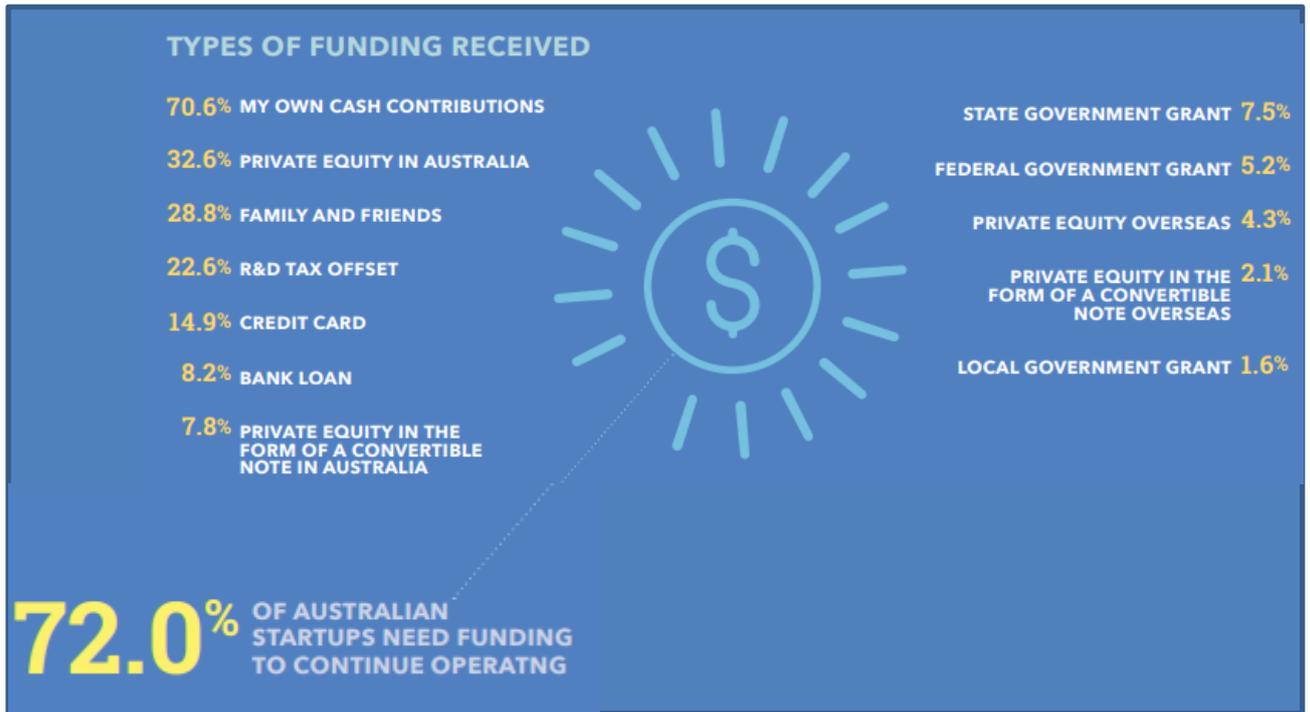


Figure 5 Sources of Funding 2
 Source: The Startup Muster report (Startup Muster, 2016)

3.2 Early Stage Companies in Australia

According to the definition of startups above, they have the following significant defining features:

a) high growth potential, that is, the ability to scale. Venture investors are generally only interested in startups capable of generating the significant returns afforded by high growth in order to compensate for the inherently risky nature of their investments, and

b) the ability to disrupt competitors or an entire industry by the application of innovative technologies and/or business models. Selling existing technology or providing undifferentiated services online is no longer enough to qualify as a startup (StartupAUS, 2015).

Cotterill (2011) quotes a failure rate of 50% – 90% in early stage companies, and given the importance of early stage entrepreneurial companies to innovation, the study of board effectiveness in this class of organization may shed light on aspects of interest to entrepreneurs, investors and government policy makers.

Employing a less restrictive and specific definition of startup (in this case, those companies between zero and two years of age), a report published by the Australian Office of the Chief Economist found that over the period 2006-2011 companies entering the market, and those up to two years old, dominated gross job creation in Australia (Hendrickson et al., 2015). In the figures for 2011 for example, approximately 154,000 jobs were created by firms entering the market place, more than half of all startup job creation (~275,000). As a comparison, during 2011 mature firms added only approximately 53,000 jobs.

Over the five year period studied, startups contributed an estimated 1.44 million jobs to the Australian economy (Hendrickson et al., 2015). Startups are therefore not only interesting as an innovative class of organizations, but have been vital contributors to economic life in Australia over the past decade. They contribute nearly all new job growth as represented in Figure 6 below, but their contribution is especially apparent when measures such as revenue per employee are considered. Australian technology companies such as Seek and Atlassian earn greater than \$1,000,000 and \$500,000 per

employee respectively, compared to the average for the Australian mining industry (~\$200,000) or the Australian agriculture (~\$80,000) (StartupAUS, 2016a).

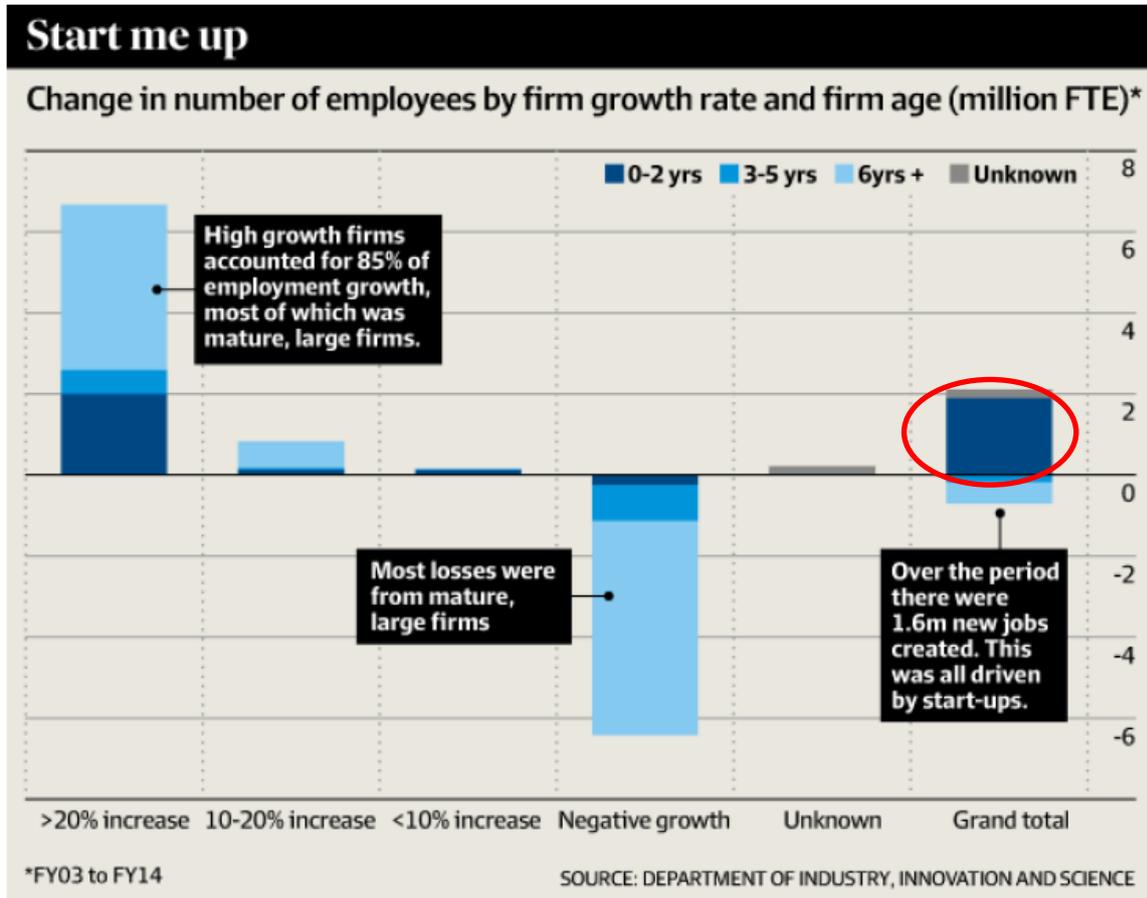


Figure 6 Net Job Creation
Source: AFR 24/08/2016

3.3 Angel Investors in Australia

Angel investors and VCs are both important sources of funding for early stage ventures (Hsu et al., 2013). According to a PwC report, Angels were the most active investors in the Australian startup ecosystem, and also growing the most quickly with deal value doubling year-on-year between 2010 and 2012. According to a recent StartupAus Crossroads report, around \$275 million in total was invested in 2014 by Australian angel investors. This is tiny in comparison to the annual A\$32 billion (other sources give different figures) committed by angel investors in the United States (StartupAUS, 2015) but still represents significant growth over the \$21 million invested by Angels in 2012 (PwC, 2013).

As at the beginning of FY 2016/2017, more than 720 companies in Australia had venture capital (VC) or private equity (PE) investment, for a total of \$9.2bn invested (Australian Bureau of Statistics 2017). As VC funds in Australia have yet to generate significant returns, their ability to attract capital has been limited, and investments have been on a small scale (\$90 million in early stage deals in FY 2015/2016). However according to the 2016 Crossroads Report:

More venture capital was raised by Australian VC funds than in any previous year, including substantial new funds raised by Blackbird Ventures (\$200m), Square Peg Capital (\$200m), AirTree Ventures (\$250m), Brandon Capital (\$200m), Uniseed (\$50m) and Reinventure (\$50m), as well as funds currently being raised by Blue Sky Funds (\$200m) and the Group-of- Eight Universities (\$200m) (StartupAUS, 2016a, p. 28)

These venture capital investment figures specifically exclude Angels, whose visible investments in Australia may only be 10% of the actual Angel total. The \$275m total includes estimates of invisible investments by unaffiliated or ‘one-off’ Angels. Even so, in 2012 this amounted to twice the total of VC investments, and was spread over many more companies than venture capital. As can be seen in Figure 3 and Figure 4 above, Angel investors fill an important gap in funding early-stage ventures, and in the case of Australia, particularly in ICT startup companies where approx. 40% of Angel investments are made (OECD, 2011). The willingness of Angel investors to commit capital to a

company seems also to be helpful in subsequent capital raising rounds by playing a legitimating roles for VC investors (Madill, Haines Jr & Riding, 2005).

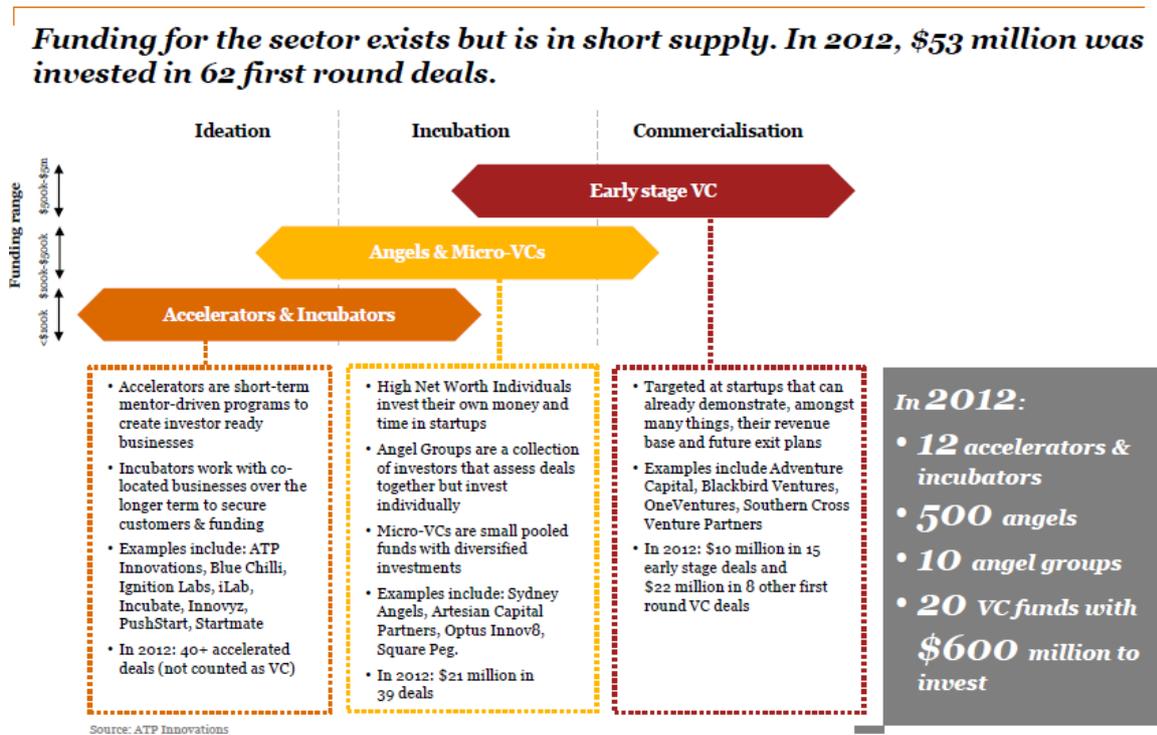


Figure 7 Sources of Funding 3
Source: The Startup Economy (PwC, 2013, p. 26)

Inherent to their role, in addition to profit, Angels, unlike venture capitalists (VCs), may also seek non-financial returns such as emotional fulfilment through participation; or altruism, for themselves (Ibrahim, 2008). Investments are increasingly made by Angel syndicates, typically when Angels are members of a formal Angel group or informal network, with one member of the syndicate appointed to the board; and may be supplemented by an investment by an associated investment fund known as a sidecar fund. Australia is home to many formal Angel groups, most of which are themselves members of the Australian Association of Angel Investors (AAAI); these include groups based in the major capital cities of Australia and in other urban areas such as the Gold Coast, Geelong and the Hunter Valley, and Scale Investors which seeks to invest funds in startups founded by female entrepreneurs.

“

Angel Investors are proactive in assisting their portfolio companies grow and succeed. Regular updates from portfolio companies help Angels identify opportunities to contribute experience, expertise and networks to support tactical and strategic execution. ”

Jordan Green, Chairman,
Australian Association of Angel Investors

Figure 8 What Angels Do
Source: (KPMG, 2015, p. 2)

Also relevant to this discussion is the apparent desire of Angels in Australia to increasingly seek a more formal role within their investee companies through board positions. This may be due to a relative paucity of VC investments in the Australian early-stage ecosystem making for fewer competitors for investor board seats, but according to one expert in company formation is more likely due to Angels having larger amounts to invest in each company (particularly due to syndication), thus justifying a seat at the board table (Macdonald, 2015).

Other factors include the desire of Angels to contribute mentoring and access to contacts as well as to protect their investment; a larger and more mature startup ecosystem than previously existed, including the availability of seminars, pitching nights and other functions attended by both Angels and entrepreneurs, where the value of mentoring and access to experience and expertise is highlighted; and the fact that entrepreneurs are looking beyond funding-only engagement and thinking about the network in which their venture is embedded, including investors and the expertise, connections and skills they bring to any deal in addition to financial contributions. Having experienced and connected board members will also assist the company raise the next round of investment, so this is another selling point for Angels on the boards of these companies (Macdonald, 2015).

3.4 Political, Social and Regulatory Context

StartupAUS suggests (in opposition to figures given in Section 3.3 which are an order of magnitude in difference) that “[...] the amount of angel investment per capita per annum in Australia is roughly one eighth as much as in the United States.” (StartupAUS, 2016b, p 12) and that in terms of VC funds invested per capita, Singapore, Israel, and the United States are all far ahead of Australia. Australia also trails significantly behind other countries (and the OECD average) in Gross Expenditure on Research and Development (GERD) as a proportion of GDP, an indicator of innovation activity, with a figure of 2.1%, where the leaders are South Korea (4.3%) and Israel (4.1%) (StartupAUS, 2016b). Australia generally scores well on the availability of talent, with availability of funding one of the lower scoring indicators. The scores for the highest ranked city in Australia, Sydney, confirm this (see fig 7 below), with regional rivals such as Singapore outscoring Australian cities on the funding criterion.

		Rank	Performance	Funding	Market Reach	Talent	Startup Exp
	Singapore	10	11	9	9	20	9
	Sydney	16	20	16	17	6	10

Figure 9 Regional Competition
Source: (StartupAUS, 2016b)

Recent changes to the Australian Federal Government’s stance on the Innovation Economy as part of The National Innovation and Science Agenda have led to some changes which are designed to help with startup funding issues. These include (Australian Government, 2016):

- 20 per cent tax offset on investments up to \$1 million for investors in new innovative startups (i.e. Angels) beginning July 2016
 - the investee company must be early stage
 - the company must be involved in innovation
- Reforms to Venture Capital Limited Partnerships beginning July 2016 to make them more attractive to both local and international investors

- A 10 per cent non-refundable carry-forward tax offset is available to partners in new Early Stage Venture Capital Limited Partnerships (ESVCLPs)
- The maximum fund size for new and existing ESVCLPs is now AU\$200 million.
- Divesture rules have changed (funds no longer need to divest companies with value >\$250 million)
- Changes allow fund managers to invest in a wider range of investments and allow a wider range of investors
- Increased access to international markets, and presumably, to international funding, for Australian startups by establishing ‘landing pads’ in Tel Aviv, Shanghai, Singapore, San Francisco, and Berlin.
 - These offer a short-term operational base
- A general tax cut for smaller companies (annual turnover < \$10,000,000)

These changes, in addition to various State government initiatives, are expected to increase the angel investment per capita and venture capital investment per capita numbers, and increase the percentage of GERD relative to GDP (StartupAUS, 2016b). Possibly the greatest boost to the startup sector would be imparted by the Australian Superannuation fund sector, with a combined value of over AU\$2 trillion (Australian Prudential Regulation Authority, 2016), committing funds to investments in venture capital funds (having generally previously avoided doing so), a trend which is reportedly beginning to gain traction (StartupAUS, 2016b).

The Federal Government’s focus on the innovation economy, combined with university sector teaching and research in the area, where, according to one estimate approximately one third of Australian universities offer postgraduate courses in entrepreneurship (Featherstone, 2015), seems to have brought this domain further to the forefront in the public imagination, although there are warnings that improvement efforts in all areas will need to be sustained over the longer term in order for Australia to compete with more established and more efficient startup ecosystems (StartupAUS, 2016b).

3.5 Early Stage Company Boards in Australia

While these startup organizations are central to entrepreneurial research, they are still much less often the subject of examination in the area of corporate governance. Some early stage companies may not even have a formal board, or directors with previous governance experience; those organizations that do, possibly have concerns that the board deems more pressing than attention to governance structures. Indeed, and possibly for reasons of convenience and relative ease of access, much of the behavioural research on boards in terms of leadership, conflict and power has been undertaken in not-for-profit organizations; most of the rest has been in large corporate settings, with little in the entrepreneurial early-stage company setting on which this study is focussed.

3.6 Entrepreneurial Discourse in Context

Multiple definitions of entrepreneurship and entrepreneurs exist, ranging from the very simple: “Entrepreneurship is about creating value and new realities” (Smith & Anderson, 2004, p. 130), to the perhaps more useful (as it combines simplicity with the definition of both terms):

*Entrepreneurship refers primarily to an economic function that is carried out by individuals, **entrepreneurs**, acting independently or within organizations, to perceive and create new opportunities and to introduce their ideas into the market, under uncertainty, by making decisions about location, product design, resource use, institutions, and reward systems (Carlsson et al., 2013, p. 914), emphasis added.*

The words entrepreneur and entrepreneurship have been adopted into common use, indeed there are government reports into the state of entrepreneurial activity in Australia that do not even define these terms, e.g. Hendrickson et al. (2015). Some authors at the critical end of the spectrum have even suggested that the term ‘entrepreneur’ is undefinable (Jones & Spicer, 2005), or deny that definitions even exist: “there is no generic definition of the entrepreneur” (Brockhaus and Horwitz, cited in Jones & Spicer, 2005, p. 234) and “entrepreneurship is like obscenity: nobody agrees what it is, but we all know it when we see it” (Shaver & Scott, 2002, p.24), these last authors preferring to use the operationally focussed term ‘new venture creation’ instead.

Contested as definitions may be, the strength of the discourse of entrepreneurship and entrepreneurs cannot be overstated, and informs public thinking and importantly director thinking, and attitudes around entrepreneurship, entrepreneurs, and entrepreneurial companies. Indeed society, and certainly Anglo-American cultures, could currently be said to be exhibiting a large measure of attraction to all things entrepreneurial in both the public and academic spheres, including Australian society. The fact that most startup companies have at least one founding entrepreneur on the board makes an examination of the strength and reach of entrepreneurial discourse important in understanding its effect on board dynamics in this type of company.

3.6.1 Entrepreneurial Discourse in the Macro-level Social Realm

Entrepreneurial discourse concerns itself with, and has achieved dominance in, multiple micro, meso-, and macro-level social realms. Rhetoric at the macro level is often pitched to the wider public as ‘entrepreneurialism-as-economic-saviour’. Themes here include: the way that whole national economies could be raised up if only more entrepreneurial activity could be encouraged; the way entrepreneurs drive employment and innovation; state actors offering inducements for entrepreneurs and other members of the entrepreneurial ecosystem to set up in their location in preference to others; the way entrepreneurialism could save declining rust belt cities, save crumbling industries, and re-invigorate regional towns to be reborn as fin-tech, agri-tech, or sports-tech hubs.

For example, in an online article, the United Nations University World Institute for Development Economics Research asked the question “Do entrepreneurs contribute to national happiness?” (Naude, 2011, para. 9) While there are downsides to too many entrepreneurs in an economy, their conclusion was yes – “Entrepreneurs create jobs – and we know that unemployment is a major and significant cause of unhappiness. We also know that goods that entrepreneurs provide, such as health and experiential activities, raise happiness levels.” (Naude, 2011, para. 10)

Stressing the importance of entrepreneurs to economic development, the Research Director of the German Institute for Economic Research has asserted that “... entrepreneurs, particularly innovative entrepreneurs, are vital to the competitiveness of the economy” (Kritikos, 2014, p.1) and also that “Entrepreneurs increase competition” and “Entrepreneurs have positive employment effects in the short and long term” (Kritikos, 2014, p.3). Governments are also exhorted to “Make the formation of entrepreneurial activity a government priority” and advised that “The formulation of effective policy for entrepreneurial ecosystems requires the active involvement of Government Ministers working with senior public servants who act as ‘institutional entrepreneurs’ to shape and empower policies and programs” (Mazzarol, 2014, para. 26).

In what may be considered the centre of the current era of technology-based entrepreneurialism, the United States, the White House National Economic Council and Office of Science and Technology

Policy's *A Strategy for American Innovation* paper states that "America's culture of entrepreneurial risk-taking drives a dynamic economy" (National Economic Council and Office of Science and Technology Policy, 2015, p. 17). With respect to the US we may also find a note of resistance to the discourse, with commentary on US entrepreneurial culture in an LSE US Centre blog contending that, "Entrepreneurial success in this sector is idealized, idolized, and narrated through the tropes of self-sacrifice, martyrdom, and economic heroism" (Cockayn, n.d., , para. 2), although this author sits outside of the business school research mainstream, undertaking critically-oriented research into San Francisco's entrepreneurial culture.

In the area of entrepreneurship rescuing towns and industries from decline in the post-industrial era, we find this example of entrepreneurial-hope "...Geelong that hopes to create a startup economy to help fill the void created by a declining manufacturing industry"(White, 2014, para. 1) and of the entrepreneur group founded to encourage startup activity: "the group is based on similar grass-roots efforts in Wollongong and Waterloo in Canada, cities which were similarly hit by declines in manufacturing" (White, 2014, para. 3).

3.6.2 Entrepreneurial Discourse in the Meso-level Social Realm

At the meso-level, rhetoric is often based on the assumptions that entrepreneurship is a better (or the only) way to manage companies, and that the workforce of the future must be entrepreneurial. For example, the way that corporate entrepreneurship can turn around the fortunes of companies "brave" enough to seize the initiative, that the "best" and most admired companies are entrepreneurial in nature, that university students should be taught entrepreneurship as a core skill much in demand by employers, and even that all school students should learn the basics of being an entrepreneur, are all themes seen at this level.

In the official publication of the Australian Institute of Company Directors, *Company Director*, an interview with the CEO of Fishburners (Australia's largest startup space), Murray Hurps, quotes him as saying that "Boards should question what they missing out on. People are advocating for more

entrepreneurial thinking on boards and I'd love to see more of this" (Chantiri, 2016, p. 19). This advocacy is echoed in the tagline for the article, "greater entrepreneurial thinking on boards and the need for greater risk taking in business" (Chantiri, 2016, p. 18). Similarly singularly positive is the headline of a report in the Australian Financial Review on a speech by the Secretary of the Department of Industry, Innovation and Science, Glenys Beauchamp on *The employment dynamics of Australian entrepreneurship* report (Hendrickson et al., 2015), which read "Start-ups create all new jobs" (Potter, 2016).

Again, based on the assumption that more entrepreneurial activity is better, and that it is an aspirational target, a CeBIT blog offers "They [two start up services providers from the country town of Wagga Wagga] want to show the young people in their town and surrounding areas that they do not have to leave their homes to be part of the start-up scene" (CeBIT, 2016, para. 11), while the Australian Centre for Rural Entrepreneurship (ACRE) "a 'for purpose' organisation based in Beechworth committed to building thriving rural communities through igniting entrepreneurship in young people and their communities" (ACRE, n.d., ABOUT Sec.) uses dynamic language in support of its efforts.

Entrepreneur magazine claims that "Entrepreneurship education benefits students from all socioeconomic backgrounds because it teaches kids to think outside the box and nurtures unconventional talents and skills. Furthermore, it creates opportunity, ensures social justice, instils confidence and stimulates the economy" (Rodov & Truong, 2015, para. 3). Schools and universities have also bought in to this view of the overarching superiority over other career choices, and the forward-looking orientation of entrepreneurship. The Associate Head of School, and the Assistant Director of Entrepreneurial Studies at a private school in Ohio maintain that "The Entrepreneurial Studies course serves as a vehicle for the school to realize its mission — forward-focused preparation for the real world through development of character and intellect" and that "We wanted to teach our students how to think like entrepreneurs not accountants" on lean startup guru and visiting professor at Stanford, Steve Blanks' blog (Blank, 2014, para. 4).

In the university sector, the fact that entrepreneurship can be taught is assumed in course offerings, and teaching entrepreneurship is seen as laudable occupation. A Kauffman Foundation story on its *Growthology* blog stated that it had contributed statistics to “[...] a great Wall Street Journal piece [that] came out covering “what college can teach an aspiring entrepreneur”” (Morelix, 2015, para. 1), and noted that US institutions teaching entrepreneurship courses have proliferated over the past thirty years. It went on to observe that “Course offers [sic] in entrepreneurship have grown approximately twenty fold. In 1985, there were about 250 courses offered in entrepreneurship at college campuses across the nation. In 2008, that number was 5,000” (Morelix, 2015, para. 7). In Australia, approximately one third of universities offer postgraduate courses in entrepreneurship, and more than 90% offer postgraduate subjects in this area (Featherstone, 2015, para. 4).

In a *Forbes Magazine* article by Dilip Rao, himself a teacher of entrepreneurship at various US universities and a former venture capitalist says, “Successful entrepreneurs are invited to campus to bring a dose of reality to the increasingly arcane and theoretical world of most business-school education. When students form companies, they are often lauded with congratulatory articles in the college newsletter and local media as a potential Gates, Jobs, or Zuckerberg” (Rao, 2015, para. 3). In a counterpoint, seemingly rare in such articles, Rao however believes “The reality of the entrepreneurial world – that very few of the world’s entrepreneurs reach a significant degree of financial success – is largely glossed over. And the supposed glamour of entrepreneurial success is promoted.” (Rao, 2015, para. 4).

3.6.3 Entrepreneurial Discourse in the Micro-level Social Realm

At the micro level, rhetoric focuses on the ‘entrepreneur-as-ideal’, and urges that an individual should aspire to not only behave entrepreneurially but also to emulate certain paragons of the entrepreneurial spirit (an approach also seen in school and university curricula) in order to have a fulfilling professional life and career free from the strictures of traditional employment, in the ‘new’ or knowledge economy, and to be a useful contributor to society. One recent journal article, again

proceeding from the assumption that entrepreneurship is inherently 'better' in some way, investigated the willingness of temporary workers to consider becoming entrepreneurs to provide them a career, increase work satisfaction and commitment to their job (i.e. a solution to their current situation), and to ask whether they viewed themselves as capable of being entrepreneurs (Costa, Caetano & Santos, 2016).

There are many ways in which members of society are asked to consider entrepreneurs as admirable and to seek to emulate them, including ideal individuals that are held up as heroic or especially worthy of attention. In *Esquire's* 2008 list of the most influential people of the twenty-first century for example, Larry Page and Sergey Brin (founders of Google) appear, along with Mark Zuckerberg (founder of Facebook), Bill and Melinda Gates (for post-entrepreneurial-success endeavours in philanthropy, which are in themselves also entrepreneurial), Elon Musk (founder of Tesla and SpaceX), Larry Ellison (founder of Oracle), Steve Jobs (co-founder of Apple), Jeff Bezos (founder of Amazon.com), and J. Craig Venter (first to sequence human genome, founder of Celera Genomics) appear (Esquire, 2008). In a more recent list of *37 People Under 35 Who Are Reshaping the World*, the entrepreneurial founders of Instagram, Airbnb, Spotify, Oculus Rift (virtual reality headset), Nest (home automation), Dropbox, 3D Robotics (drones), Reddit, and Mark Zuckerberg (as he was still only 30 at the time) were included along with a collection of actors, musicians, celebrities and sports people (Esquire, 2014).

In an online article titled *The Key Things Successful Entrepreneurs Are Doing That You Should Emulate* readers are told that "Successful entrepreneurs also, on an almost daily basis, carry out a number of activities and tasks, and demonstrate a certain approach to their work. For the rest of us, those are the things that we should be seeking to emulate." (Dynamic Business, 2015). There are countless other online articles and other resources of this type; examples are presented in Figure 10 and Figure 11 below.

Successful Entrepreneurs Do These 5 Things Daily

<https://www.entrepreneur.com/article/234052>

May 21, 2014 - There is a saying that there are only three types of people in the world: those who watch what happened, those who wonder what happened ...

5 Things Productive Entrepreneurs Do Each Day

<https://www.entrepreneur.com/article/234093>

May 27, 2014 - Successful leaders cultivate effective daily habits to provide them with that extra ... Here five things that productive entrepreneurs do every day..

15 Things Successful Entrepreneurs Do Every Day

<https://www.entrepreneur.com/article/235077>

Jul 7, 2014 - 15 Things Successful Entrepreneurs Do Every Day ... and successfully grow your business, dedicate time and energy to improve your daily habits. ... Related: 5 Morning Rituals to Keep You Productive All Day Long. 3.

5 Things Highly Successful Entrepreneurs Do on a Daily Basis - Spaces

<https://gospaces.com/.../19279172-5-things-highly-successful-entrepreneurs-do-on-a-...>

May 8, 2015 - Entrepreneurs are some of the most driven people on the planet. However, it takes a certain amount of fearlessness and some key behavioural ...

5 Daily Habits Of Successful Entrepreneurs | OPEN Forum

www.openforum.com/articles/5-daily-habits-of-successful-entrepreneurs/

Many business owners rely on small daily habits and routines that keep the needle on their business

Figure 10 5 Things Successful Entrepreneurs Do Daily

Source: (Google search <https://www.google.com.au/#q=5+things+successful+entrepreneurs+do+daily> accessed 28th October 2016)

3 Things to Learn From the Ultimate Entrepreneurs

<https://www.entrepreneur.com/article/272155>

May 2, 2016 - Get a leg up on success by listening to customer needs and understand their experiences with your company.

3 Things Every Successful Entrepreneur Knows By Heart - Forbes

www.forbes.com/sites/.../02/.../3-things-every-successful-entrepreneur-knows-by-heart...

Feb 3, 2016 - All successful entrepreneurs display imagination, vision and entrepreneurship. Yet, most importantly, they know the difference between the ...

3 things all successful entrepreneurs must do - Hot Topics

<https://www.hottopics.ht/stories/how-to/3-things-all-successful-entrepreneurs-must-do/>

Successful entrepreneurs are far and few between. Here are 3 things you can do to try and become one.

5 Things All Successful Entrepreneurs Do (and 3 They Never Do) | Inc ...

www.inc.com/chris.../5-things-all-successful-entrepreneurs-do-and-3-they-never-do.htm...

May 5, 2016 - We all look for an edge in our business building and examining the past behaviors of other successful entrepreneurs is a great way to set your ...

3 Things Every Successful Entrepreneur Does Daily | Inc.com

www.inc.com/elle-kaplan/3-things-every-successful-entrepreneur-does-daily.html

Aug 13, 2014 - 3 Things Every Successful Entrepreneur Does Daily. These things are non-negotiable, but they're probably getting knocked to the bottom of ...

Figure 11 3 Things About Successful Entrepreneurs

Source: (Google search <https://www.google.com.au/#q=3+things+successful+entrepreneurs> accessed 28th October 2016)

These online pieces and many others like them extol the virtues of entrepreneurs and exhort readers to emulate these same while at the same time providing an simple step-by-step method for doing so. This suggests not only that entrepreneurs should be emulated, but that they can be emulated, as the successes of entrepreneurs can be reduced to a list of a few straightforward tasks rather than being achieved through hard work and persistence. So, on the one hand lauding the particularity of successful entrepreneurs, and on the other claiming that anyone may aspire to this entrepreneurial ideal if they follow a ‘recipe’ for success.

Even philanthropic activities, perceived by many to be loftier pursuits than career or financial success, are not immune to improvement by the application of entrepreneurial approaches; social entrepreneurship is a growing aspect of doing good, and a hybrid model which does good while making profits may be seen as the pinnacle of both entrepreneurship and of charitable endeavours. Even those entrepreneurs such as Bill Gates and Mark Zuckerberg who have previously been criticized for making extremely large amounts of money without giving anything back, have been rehabilitated in the public consciousness by means of establishing richly endowed foundations with enormously impactful missions, even to the point of aiming to cure all diseases in the case of Zuckerberg’s foundation (Chaykowski, 2016).

3.7 Angel Investor Discourse in Context

To understand the context in which Angel discourse meets, overlaps and resists more general entrepreneurial discourse, it is important to understand that the basic narrative of Angel investor discourse assumes that entrepreneurial activity is vital for the continued prosperity of society, that is, it is in accordance with the narrative of the dominant entrepreneurial discourse, but diverges when it comes to the relative importance of the various actors in that ecosystem. Similarly, entrepreneurial discourse does not dispute the need for early-stage venture funding, nor even the practical assistance that such investors on their boards may bring. This narrative of Angel discourse can be seen to be structured around the following assumptions:

- Startup businesses are the vehicle for much/most entrepreneurial activity
- Entrepreneurs have ideas, innovate, and found and run startup businesses
- Startup businesses need capital financing to grow and succeed
- Angel investors provide finance at risk
- Entrepreneurs are often bad at/inexperienced in running companies
- Entrepreneurs are sometimes young arrogant and foolish
- Nothing happens without money
- Angel investors provide the money, therefore should control the board
- Angel investors have more experience and expertise in running companies
- When entrepreneurs and Angel investors clash, investors should win, or withdraw funds or fire the entrepreneur

This convergence then divergence of ideas can be seen as competing ideas of which goods are scarce and valuable, and should therefore be given precedence. This fundamental area of disagreement,

developed during this research project, has been termed the Scarcity General Argument Form by the researcher (and is represented in

Table 2 below). It demonstrates where there is agreement, and where entrepreneurial discourse and Angel investor discourse resist each other.

DIVERGENCE OF ANGEL AND ENTERPRENEURIAL DISCOURSES

AGREED ASSUMPTIONS	
Entrepreneurial activity is vital for economic progress and prosperity	
Startups as vehicles for entrepreneurial activity are thus vital	
Entrepreneurs have ideas and found and run startups	
Angel investors provide at-risk capital to startups	
IDEAS ARE SCARCE & IMPORTANT	FUNDING IS SCARCE & IMPORTANT
Without good ideas, startups fail	Without finance, startups fail
Angel investors are a necessary evil	Entrepreneurs can't always run companies properly
Finance is available from multiple sources and is substitutable	Entrepreneurs can be replaced if necessary

Table 2 Ideas vs. Finance – Scarcity General Argument Form

After Žagar (2010), the summary of the Angel side of the argument above, given in a general claim form below, can then be further expanded in into the Toulmin model for more detailed analysis.

Angel General Claim

1. If a specific set of goods is scarce, one should prioritize those things above all others
2. Finance to fund startup businesses and investment know-how are scarce goods in business

-
3. Finance to fund startup businesses and investment know-how should be encouraged and nurtured above other considerations in startup businesses

Toulmin Model of Angel Argument

Claim: Finance to fund startup businesses and investment know-how should be encouraged and nurtured above other considerations in startup businesses

→ *what do you base this on?*

Datum: Finance to fund startup businesses and investment know-how are scarce goods

→ *how do you get to your claim?*

Warrant: If a specific set of goods is scarce, one should prioritize those things above all others

→ *is that always the case?*

Rebuttal: No, but it very often is, unless there are other more convincing arguments. In that case the warrant does not apply

→ *so you cannot be definite in your claim?*

Qualifier: yes, it is only very often the case, not always

→ *what makes you think that if this specific set of goods is scarce, one should prioritize those things above all others?*

Backing: The history of startup businesses shows that only the companies who can avoid funding shortfalls by attracting investors at the right time, or who have knowledgeable investors will have the best chance of success.

Figure 12 Angel argument

Similarly, the counterclaim:

1. If a specific set of goods is scarce, one should prioritize those things above all others
2. Entrepreneurial innovations and ideas are scarce goods

3. Entrepreneurial innovations and ideas should be prioritized above other considerations in startup businesses

3.8 Practical Relevance

By seeking to understand which factors are important to Angel investors in the working relationships between themselves and entrepreneurs, this research may deliver practical benefits to Angels, founders and other directors in understanding how they may best work together for success. This research also addresses the wider issue of how entrepreneurs and Angel investors relate to each other, and what these relations in terms of conflict and power dynamics mean to the way the board governs the company. In doing this, it may also be able to provide guidance in developing instruments to aid in better understanding of this board context for board effectiveness practitioners.

CHAPTER 4 CONCEPTUAL FRAMEWORK

4.1 Introduction

In this chapter the conceptual framework of this study, which investigates board effectiveness via board cohesiveness, decision-making processes and strategic and advisory roles by using the lenses of intragroup conflict and intragroup power dynamics, enriched with an organizational discourse perspective, is further developed. It has been situated in a specific organizational context; that of Australian high technology startup companies with both Angel investors and founding entrepreneurs on the board, and compared what actually occurs on such boards to theoretical results derived from other organizational contexts.

The conceptual framework employed in this research is in two parts. The first is an extension to the Forbes and Milliken (1999) Board Effectiveness Framework (see Figure 14 below). This base model is augmented to account for the addition of relationship and process conflict, per Jehn's ICS typology (Jehn, 1997), in addition to the existing task conflict process element, and to account for the addition of power to the board processes that influence the outcomes of cohesiveness and task performance. The Extended Model of Board Effectiveness (EMBE) is presented in Section 4.6 below, and illustrated in Figure 17.

The Board Power Framework developed by Pettigrew and McNulty (1998) has been used as a basis for analysing the power dynamics of the startup boards under investigation. Additional classes of power source derived from the research of Peebles (2010) and Purdy (2012) have been added to that component of the Board Power Framework to enrich the model. This framework should be considered as having provided some initial parameters to aid in understanding power on boards, and a starting point for the initial coding, and was not expected to encompass all the ways that power was experienced by the Angel investors participating in the study.

To provide an alternate prism through which to investigate power constructs, a critical analysis of power and discourse, and resistance to discourse, using the CDA approach, is helpful (Chouliaraki, 2010, Leitch & Palmer, 2010). This is especially true when two or more dominant discourses are competing, often the case where Entrepreneurial Discourse and Managerial Discourse meet on the boards of startup companies. Discursive power has anyway been recognized as a source of power on boards by at least one scholar working in the organizational, rather than the critical domain (Purdy, 2012).

4.1.1 What has been done?

We know from the literature that despite the increasingly widespread view that board research should include a greater number of behavioural studies (Hough, McGregor-Lowndes & Ryan, 2005, van Ees, Gabrielsson & Huse, 2009, Huse et al., 2011, Francoeur et al., 2018), studies in this area are still dominantly structural in approach, and researchers have tended to eschew theoretical lenses other than those with legal/economic origins, despite their possible usefulness (Eisenhardt, 1989, Pye & Pettigrew, 2005, Roberts, McNulty & Stiles, 2005, Hambrick, Werder & Zajac, 2008). The relative paucity of behaviourally focussed research overall, has meant that little work has been done in studying the relationship between behaviour and board effectiveness in any specific board context (Gabrielsson & Huse, 2004, van Ees, Gabrielsson & Huse, 2009, Huse et al., 2011), hence the gap in these findings on early-stage boards.

The literature establishes the fact that boards may be considered episodic and elite decision-making teams (Forbes & Milliken, 1999), and as teams, are therefore subject to group constructs such as intra-group conflict (van Ees, Gabrielsson & Huse, 2009) and power dynamics (Pettigrew & McNulty, 1998, Hambrick, Werder & Zajac, 2008, Peebles, 2010, McNulty et al., 2011).

Arguably the most widely used model for intra-group conflict is the Intra-group Conflict Scale or ICS (Jehn, 1995, Jehn, 1997), in which conflict is categorized as task (ideas, decisions and solutions), relationship, or process (who does what) conflict. Jehn's ICS has been successfully employed in multiple recent papers on conflict on boards, including startup boards (Hamm-Kerwin & Doherty,

2010, Zacharakis, Erikson & George, 2010, Kerwin, Doherty & Harman, 2011, Bjornali, Knockaert & Erikson, 2016, Vandenbroucke, Knockaert & Ucbasaran, 2016, Heemskerk, Heemskerk & Wats, 2017). The broad acceptability of the ICS in studies of organizational intra-group conflict, including in the board domain, made it eminently suitable for use in this study where conflict is expected to have an effect on board effectiveness.

Somewhat surprisingly, despite calls for more research on the way that power works within boards (Hambrick, Werder & Zajac, 2008), and pointers to its importance in influencing board decisions (van Ees, Gabrielsson & Huse, 2009), there have been relatively few studies in this area as most research is concerned with on inter-group power dynamics, e.g. between directors and top-management teams. However, Peebles (2010) has investigated agenda-setting power (an example of ‘power-to’) on boards, McNulty et al. (2011) have studied the power of the Board Chair (an example of ‘power-over’) while Purdy (2012) has considered ‘power-for’ in creating a framework, in addition to other types of power in her research on collaborative governance.

In a large UK study of boards in the UK, Pettigrew and McNulty (1998) specifically set out to develop a framework for board power dynamics that was based on behaviours, and which was processual and contextual rather than based on the “rather structural and (through their use often of secondary data) distant methods of the agency and managerial hegemony theorists” (Pettigrew & McNulty, 1998, p. 201), and explicitly considered directors’ individual qualities and perceptions of themselves in the context of power and influence in addition to contextual factors and structural conditions.

The components of the Pettigrew and McNulty (1998) model are as follows: context, both internal (board history and culture, norms, selection patterns, and role expectations) and external (social, legal, political factors, sector culture, business crises and codes of conduct and practice), which enable and legitimize; structure (e.g. ratio of NED to ED, committees, separation of CEO/Chair roles); power sources (e.g. relevant experience, relationships, access to information, coalitions, prestige, and positional power – Chair/member of committee); will and skill, which refers the individual’s ability to

convert power sources in an environment where influence is possible into realised influence, and requires skill in reading a situation and being willing to intervene appropriately; and finally, the content area of influence, whether or not the individual perceives themselves to be able to influence in a particular domain such as CEO compensation as opposed to international expansion strategies for example. An executive director may perceive themselves to be more influential than a non-exec in the area of strategy for instance, and a non-executive in the domain of corporate governance.

The Pettigrew and McNulty conceptualization of determinants of board power is shown in Figure 13 below, and has been used to model power dynamics in this study of Australian startup boards as it is a good methodological fit, having been developed for use with interview data gathered by means of the Critical Incident Technique (CIT), and philosophical fit because it accounts for behavioural and contextual issues, and not just structural elements. The context and structure set the parameters and shape which content areas are possible for board members. Power sources can then be activated given that the will and skill to use these exists. The whole process is dynamic, and the encircling arrow signifies that an episode of the use of power may often result in changes to context for subsequent episodes.

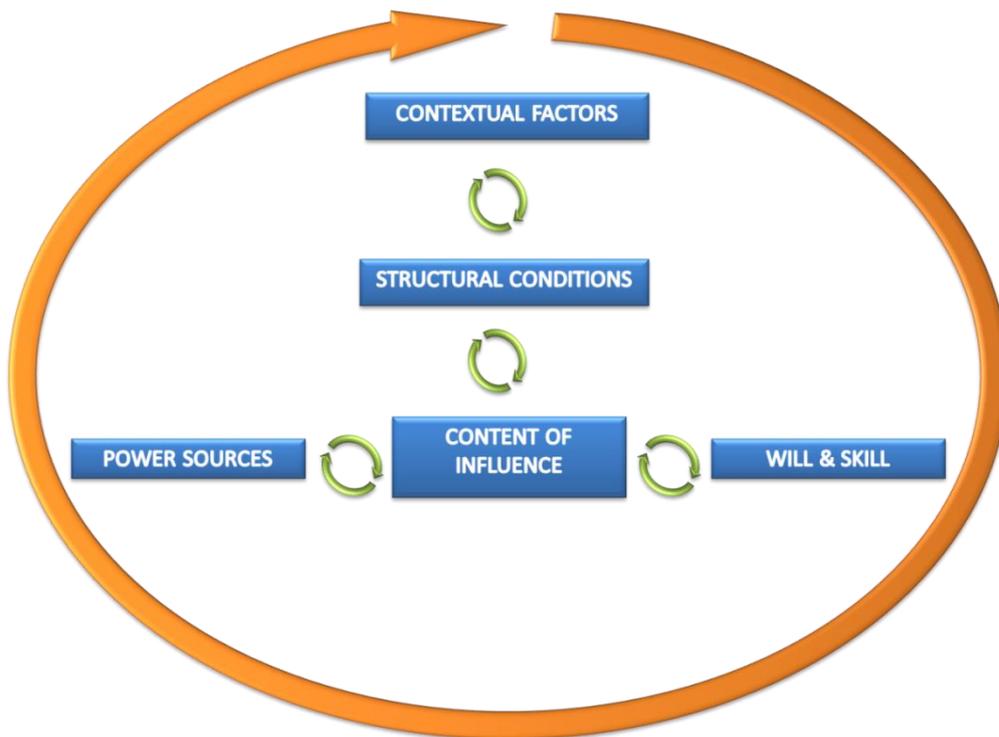


Figure 13 Determinants of Board Power Source: Adapted from Pettigrew & McNulty (1998)

The Forbes and Milliken concept of board effectiveness (see Figure 14), where only two outcome criteria were required to determine effectiveness (that is, task performance and board cohesiveness) has been backed by other, later, research (Levrau & van den Berghe, 2006, Petrovic, 2008). Forbes and Milliken additionally identified three board processes which influence these outcomes: effort norms (for example, sufficient diligence in reading board papers and attending meetings, and attentiveness and participation in meetings), task or cognitive conflict, and use of knowledge and skills (that is being willing and able to apply any knowledge or skills that a board member may have in the service of the board).

Several papers have successfully employed the integrated Forbes and Milliken model including Nielsen et al. (2008), Bailey and Peck (2011) and Minichilli et al. (2012), all being largely concerned with the task performance outcome rather than the cohesiveness component. Nielsen et al.'s research empirically validated the positive influence of the processes of conflict, effort norms, and use of knowledge and skills on task performance in the board's strategy and monitoring roles (although they

found task conflict to have a negative influence for these tasks), and Bailey and Peck validated the positive effect of effort norms and task conflict on task performance in the board’s service and control roles, however found no support for use of knowledge and skills. It seems that no previous studies have considered the effects of the full set of conflict types in the ICS, or have applied both power and intra-group conflict to Forbes and Milliken’s model of board effectiveness, a possible explanation for the slight variation in results.

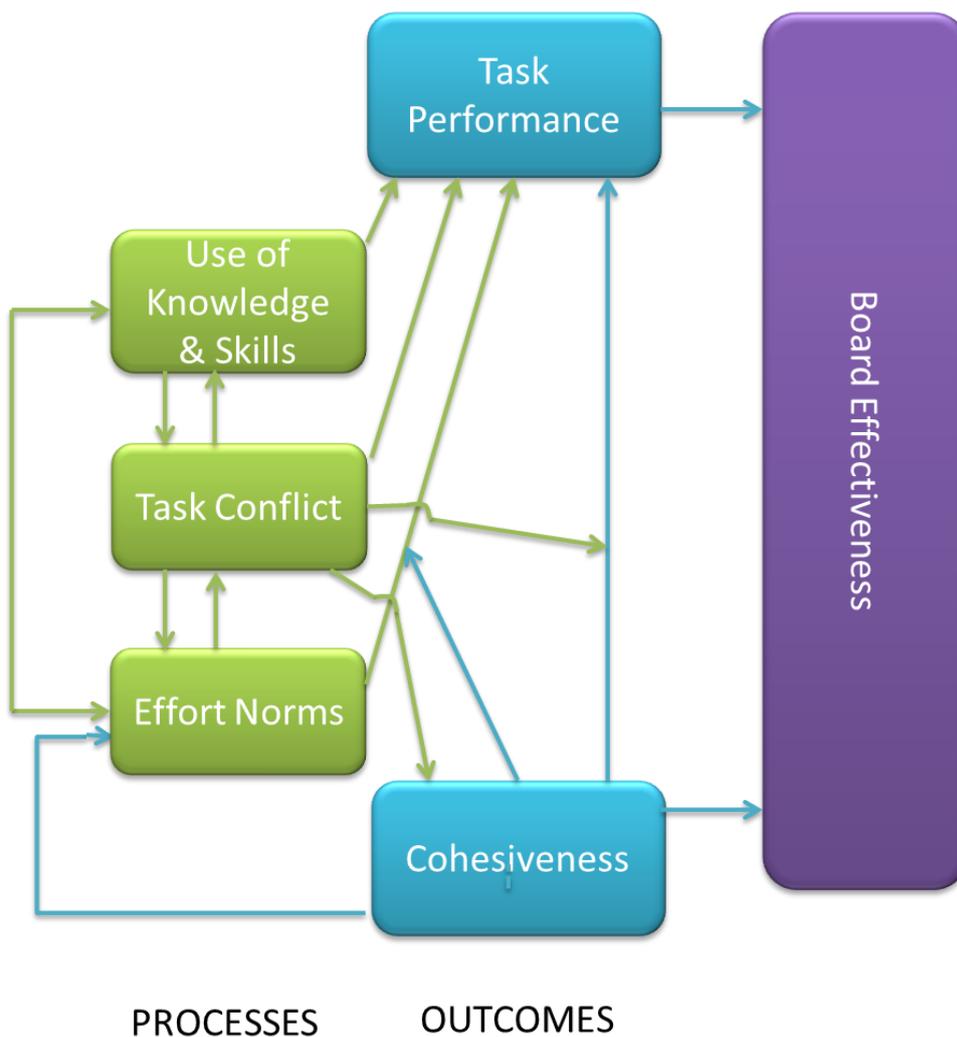


Figure 14 Forbes and Milliken Board Effectiveness Model

Adapted from Forbes and Milliken (1999)

Previous research thus provides us some of the predicted effects of certain types of conflict, levels of effort norms, use of skills and knowledge, and power on the components of board effectiveness: that is, on task performance and board cohesiveness. Other than task conflict, where the effect on task performance varies in valence (Jehn & Bendersky, 2003, DeChurch, Mesmer-Magnus & Doty, 2013), conflict typically has been found to be a negative influence on both task performance and cohesiveness (Jehn & Bendersky, 2003, Jehn et al., 2008, Curşeu, 2011, Shaw et al., 2011, de Wit, Greer & Jehn, 2012, DeChurch, Mesmer-Magnus & Doty, 2013, O'Neill, Allen & Hastings, 2013).

The effects that power may have on effectiveness are not as clear cut; although the use of power may for example trigger relationship conflict, which has a uniformly deleterious effect on various components of cohesiveness (Petrovic, 2008, de Wit, Greer & Jehn, 2012), but power may also be used to require higher levels of effort norms or more task conflict from the board ('power-to'), or increase collaboration ('power-for'), or use prestige ('power-over') to engender higher levels of effort norms; all of these having a positive effect on effectiveness. Research has also shown that power can be used to maintain conflict, or to resolve it (Sell et al., 2004). We also know that power and its use can influence not only the way that the board's tasks are performed, but also which tasks they actually perform (McNulty et al., 2011), for example through the power to set the board agenda (Peebles, 2010).

Past work has afforded an understanding of board task performance (Forbes & Milliken, 1999, Vandewaerde et al., 2010, Bailey & Peck, 2011, Minichilli et al., 2012, Machold & Farquhar, 2013), and from which roles these tasks derive. This requires consideration of the life cycle stage of the organization, and in the case of early stage boards we know this means focussing less on monitoring and more on service and strategy (Filatotchev, Toms & Wright, 2006, Levrau & van den Berghe, 2006, Nielsen et al., 2008, Ong & Wan, 2008, Zhang, Baden-Fuller & Pool, 2011).

4.1.2 What is left to know and find out?

It can be seen that there are opportunities for new research into the behaviours of boards as groups, to which group theories apply; in better understanding board processes using non-economic theoretical

frameworks which consider the human elements of conflict and power struggles within the group; and in situating these in specific board contexts rather than every-board. The effectiveness of technology startup boards has not been thoroughly studied, and the work on Angel investors is relatively sparse compared to that on entrepreneurs and venture capitalists.

There are also gaps in the research literature in the areas of organizational discourse analysis on early stage boards (despite the existence of a significant body of work studying entrepreneurs), which given the competing discourses at play would seem to be valuable; the dynamics and consequences of conflict and power on early stage boards; and importantly, in the study of Angels, startups and early stage boards in the Australian rather than US or European contexts. These gaps and the fact that few studies are informed by the experiences of Angels themselves may be somewhat surprising given the significance of early-stage entrepreneurial companies and Angel investors in funding them.

4.1.3 Where do we start?

The particular starting point which this study takes is the lived experiences of Angel investors in relation to their board interactions with the entrepreneurial founder(s) of the company. The specific boardroom behaviours and processes which are of interest are those which relate to a) power relations: agenda setting power, and power discourses which structure board roles and leadership legitimacy, and b) the conflicts which arise between Angels and entrepreneurs in the context of strategy-making, decision-making, and the board's advisory role. These experiences inform the analysis of how Angel board members understand the interpersonal processes at play on their board, and how they perceive the effects of those processes on the outcomes of task performance and cohesiveness.

A review of the board literature reveals the relative lack of research on Angel investors. For example, while much research has looked at conflict between VCs and founders, much of it from the founders point of view, there many fewer examples of similar work on Angels despite the latter being shown that business angels seem to be the single largest source of external capital (Avdeitchikova & Landström, 2016), investing approximately 11 times as much venture capital worldwide according to

some estimates (Morrissette, 2007), and filling a “critical finance gap between founders, family and friends and institutional funds” (White & Dumay, 2017, p. 183).

This may be because venture capitalism, being more formally organized, is easier to study. Existing research on Angels on boards has often been quantitative and economic in nature (IPO outcomes, valuations, intention to exit) (e.g. Freear, Sohl & Wetzel, 2002, Bruton et al., 2010, Collewaert, 2011), or if qualitative research, focussed on motivations for investment, intentions for their investment (Mason & Stark, 2004) or what they bring to the organization post investment (Macht & Weatherston, 2011), rather than processual.

The conceptual framework used in this study is underpinned by Forbes and Milliken’s (1999) work on board effectiveness which states that board task performance and board cohesiveness are the only group level outcomes necessary for understanding board effectiveness. In Forbes and Milliken’s construct, board task performance is mediated by the processes a) use of knowledge, b) board roles and tasks and c) effort norms (1999).

To ascertain the intensity of effort norms, information from interview data about the work of the board was used, as well as factors from Bailey & Peck’s (2011) influencers on effort norms (climate of collaboration and respect). Similarly, data concerning the use of skills and knowledge (expertise) was obtained from interview data, as well as examining factors derived from Bailey and Peck’s influencers (collaboration, and the interaction of collaboration and respect). More intense board effort norms, but not use of expertise has been found to be positively related to board task performance (Bailey & Peck, 2011).

More specifically: The level of respect in the boardroom positively influences effort norms, and it also mediates the impact of high levels of board knowledge and skills on effort norms. The level of collaboration between the CEO and top management also positively influences effort norms and mediates the impact of high levels of knowledge and skills on the board on effort norms. In addition, collaboration also positively influences use of expertise, and mediates the impact of high levels of knowledge and skills on the use of expertise. In addition, the interaction between the level of respect

and level of collaboration is a positive influencer on the use of expertise (but not on effort norms), such that collaboration has more effect in low respect level boards at high collaboration levels, and *vice versa* for high respect climate boards (Bailey & Peck, 2011). These relationships are summarised in Figure 15 below.

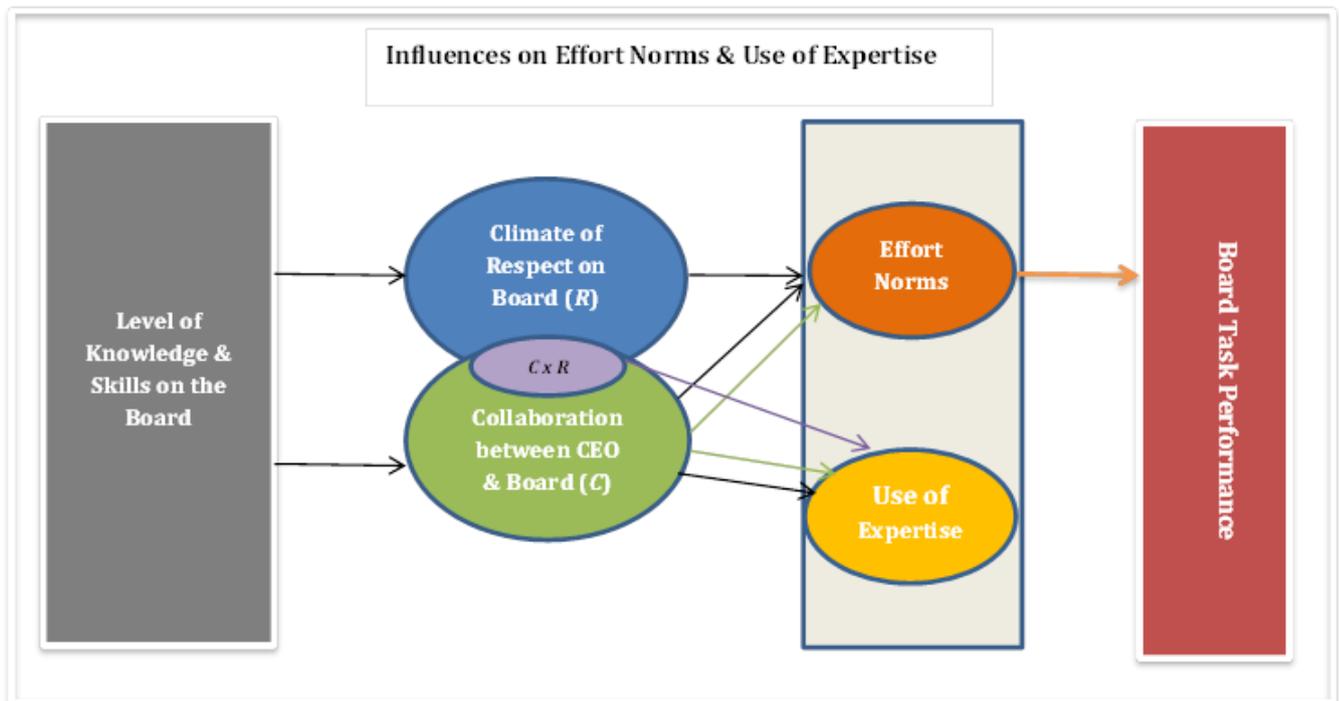


Figure 15 Influencers (Adapted from Bailey & Peck (2011))

As is shown in figure 16 below, there are many possible group constructs which could affect these outcomes. Board cohesiveness is mediated by effort norms. These processes in turn are informed by Jehn’s process, task and relationship conflict types (Jehn, 1995, Jehn, 1997), and by the power dynamics on the board (Pettigrew & McNulty, 1998, Purdy, 2012). These three conflict types also directly affect the outcomes of Task Performance and Cohesiveness and may themselves be affected by Board Cohesiveness as is shown in figure 16 below.

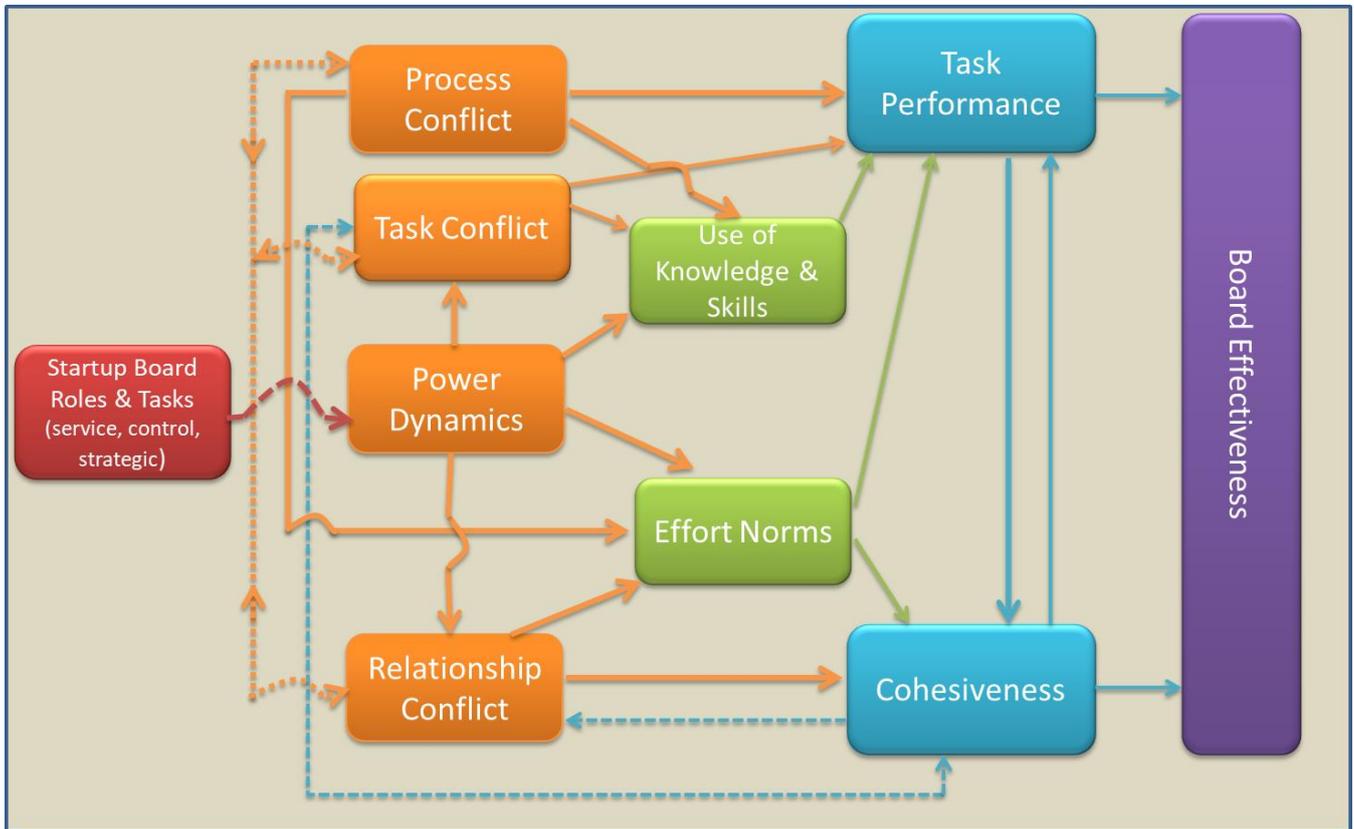


Figure 16 Conceptual Model

4.2 Intragroup Conflict

Task or cognitive conflict, that is perceived discrepancy of views or incompatibilities of views about the content of a task (in terms of a decision, the solution, the scope etc.) is one of the most studied of the group processes, and research in the context of not-for profit (Hamm-Kerwin & Doherty, 2010, Kerwin, Doherty & Harman, 2011), corporate (Kim, Suazo & Prescott, 2008, Bailey & Peck, 2011), and startup boards (Zacharakis, Erikson & George, 2010, Collewaert, 2011, Klotz et al., 2014, Collewaert & Sapienza, 2016) has been published in recent years. Task conflict was one of the group processes found by Forbes and Milliken (1999) to be an influence on board effectiveness by way of its positive influence on board task performance.

Relationship or affective conflict was not considered as a separate group process in Forbes and Milliken's (Forbes & Milliken, 1999) model, but seems to have been implicit in the concept of board cohesiveness. It is however worth examining explicitly, as it has multiple effects of interest to the study of board effectiveness. It has not only been found to have a directly negative effect on group performance and cohesiveness (de Wit, Greer & Jehn, 2012), but also to both increase the amount of task conflict present (Choi & Cho, 2011), and in addition, to increase negative effects of any task conflict that is present (Shaw et al., 2011, de Wit, Greer & Jehn, 2012).

Moreover, relationship conflict has been found to have negative effects on group potency (O'Neill, Allen & Hastings, 2013), satisfaction (Jehn & Bendersky, 2003), team affect (DeChurch, Mesmer-Magnus & Doty, 2013), all relevant to board cohesiveness; and team performance (Jehn & Bendersky, 2003, DeChurch, Mesmer-Magnus & Doty, 2013, O'Neill, Allen & Hastings, 2013) teamwork quality (Curşeu, 2011), which are related to board task performance. Additionally, it has been found to have a negative association with co-operative team behaviours, a positive association with competitive behaviours, and a positive (increasing) effect on the level of avoidance behaviour (O'Neill, Allen & Hastings, 2013). If further justification for the inclusion of relationship conflict as an influencing group process in the board effectiveness model were required, the fact that task and relationship

conflict are interdependent, capable of triggering the other (Heemskerk, Heemskerk & Wats, 2017), would seem to provide it.

Process conflict is conflict regarding roles and responsibilities, allocation of work, and planning tasks, rather than determining their content (Jehn, 1997), and has been shown to have a negative effect on relationship conflict (Bendersky et al., 2010), and increase the negative effect of any existing relationship conflict (de Wit, Greer & Jehn, 2012), and to also have a negative effect on team performance (Behfar et al., 2011, de Wit, Greer & Jehn, 2012), with perhaps the greatest effect on team performance of any of the three types of conflict (O'Neill, Allen & Hastings, 2013).

Process conflict was neither considered nor included in Forbes and Milliken's (Forbes & Milliken, 1999) model, possibly due to the fact that Jehn's (1997) work on this conflict type had been published only two years beforehand. Inclusion of process conflict into the model better explains the somewhat equivocal findings in effects of conflict around tasks (by including who is doing them and organizing them, in addition to what they are to be, and how they are to be done). Again, since process conflict affects task performance directly, in addition to indirectly via its effects on both task and relationship conflict, it should be included as an influencing process in the board effectiveness model in order to arrive at a more complete picture of the influence of intragroup conflict on board effectiveness.

4.3 Power dynamics

We have seen in the work of McNulty et al. a number ways that power relations on a board could influence the tasks performed by boards, and the way that boards chose to perform these tasks. This work provided examples of power-influenced tasks across the resource, control and strategic roles encompassing *inter alia*: communications, creation of board structures, policy and financial activities (McNulty et al., 2011). The board's execution of these power-influenced tasks, i.e. board task performance, is one dimension of effectiveness identified by Forbes and Milliken (1999), and therefore power on boards and the way that it is used would seem to be an influence on board effectiveness.

Moreover, a perceived imbalance in power in organizational groups has been shown to have negative effects on trust and collaboration (Huxham & Vangen, 2004), both factors in conflict processes that have been shown to affect both task performance and cohesiveness (de Wit, Greer & Jehn, 2012). These factors would seem to commend, therefore, the consideration of power in an updated model of board effectiveness.

4.4 Place of the Critical View in Startup Board Research

A critical approach can be used to surface power dynamics and the way these can affect decision-making. As Goddard and Carey (2017, p. 29) have it, “language has the power to establish ideas about which perspective is the normal one”. Repeated use of particular language constructions creates a reinforcing effect, leading to discourses that normalize a particular point of view, which then becomes an implicit assumption (Goddard & Carey, 2017).

Given the strength and dominance of the entrepreneurial discourse within the startup ecosystem, described in Chapter 3, it is useful and interesting to try to understand what part this discourse, and resistance to it, may play in the startup board’s decision-making, use of knowledge, and use of power, and thus how it may affect board effectiveness. Who has the right to be heard and who does not, which voices are louder or more articulate, whether effective decision-making is overcome by the truth effects; are all questions which a critical view may address. As informal venture investors (and particularly, Angel) investors were often themselves ‘successful’ entrepreneurs, it is unclear whether they can offer any resistance to the dominant entrepreneurial discourse, or whether they just offer competing versions of this discourse. Critical analysis may also surface other discourses in the intersection of communities of practice that is the early stage board that work to subvert the entrepreneurial discourse, such as investor or managerial discourse.

4.5 Addressing the research gaps

This project addresses the gaps in existing research, and scarcity of literature in some areas in several ways.

1) It answers the calls to move away from structural approaches based on secondary data, and to embrace behavioural approaches based on primary data to board research (Hough, McGregor-Lowndes & Ryan, 2005, van Ees, Gabrielsson & Huse, 2009, Huse et al., 2011). It is based on the collection of primary data, employs phenomenological and critical approaches to the lived experiences of board behaviours and processes of board members.

2) It also answers multiple calls from the literature to base board research on theories not from the legal or economic disciplines (Eisenhardt, 1989, Pye & Pettigrew, 2005, Roberts, McNulty & Stiles, 2005, Hambrick, Werder & Zajac, 2008), by using group and team processes as a lens to understand their effects on board members. Additional theoretical variety from the realm of critical theory has been introduced by way of the examination of discursive effects on power.

3) By concentrating on early stage boards in Australia, this research addresses the appeal for behavioural board studies to be situated in specific board contexts, which have been somewhat lacking in past work (Gabrielsson & Huse, 2004, van Ees, Gabrielsson & Huse, 2009, Huse et al., 2011). Australian startup boards have in any case not been the subject of much study, neither have Angel investors in Australia; this research concerns itself with Australian startup boards that have both Angel investors and founders on their board, a unique and interesting context due both to the altered nature of roles and tasks performed by the startup board. Task performance for a startup board involves tasks that are part of the roles more important for this type of board, service and strategy, and fewer tasks in the monitoring role prominent in boards further along in their life-cycle (Filatotchev, Toms & Wright, 2006, Levrau & van den Berghe, 2006, Nielsen et al., 2008, Ong & Wan, 2008, Zhang, Baden-Fuller & Pool, 2011).

4) While the literature has shown that boards as teams are subject to group constructs such as intra-group conflict (van Ees, Gabrielsson & Huse, 2009) and power (Pettigrew & McNulty, 1998, Hambrick, Werder & Zajac, 2008, Peebles, 2010, McNulty et al., 2011), much of the research that has been done into the effects of these processes on board outcomes has focussed on task conflict, including Forbes and Milliken (1999) in the development of their model of board effectiveness.

The roles that group processes of process conflict, relationship conflict and power play on boards using the Forbes and Milliken (1999) framework has not previously been investigated. The inclusion of intragroup power dynamics in the consideration of board effectiveness not only addresses the need to better understand the role of power on boards (Hambrick, Werder & Zajac, 2008), but also provides a novel approach by including a critical examination of discursive power, which has been recognized as one of the power sources available to boards (Purdy, 2012).

4.6 Extended Model of Board Effectiveness (EMBE)

Extending Forbes and Milliken’s original framework to include the effects of power dynamics, and process and relationship conflict on board processes as detailed in Sections 4.1.3, 4.2 and 4.3 above has resulted in positing a new model for understanding board effectiveness, the Extended Model of Board Effectiveness (EMBE), displayed in Figure 17 below.

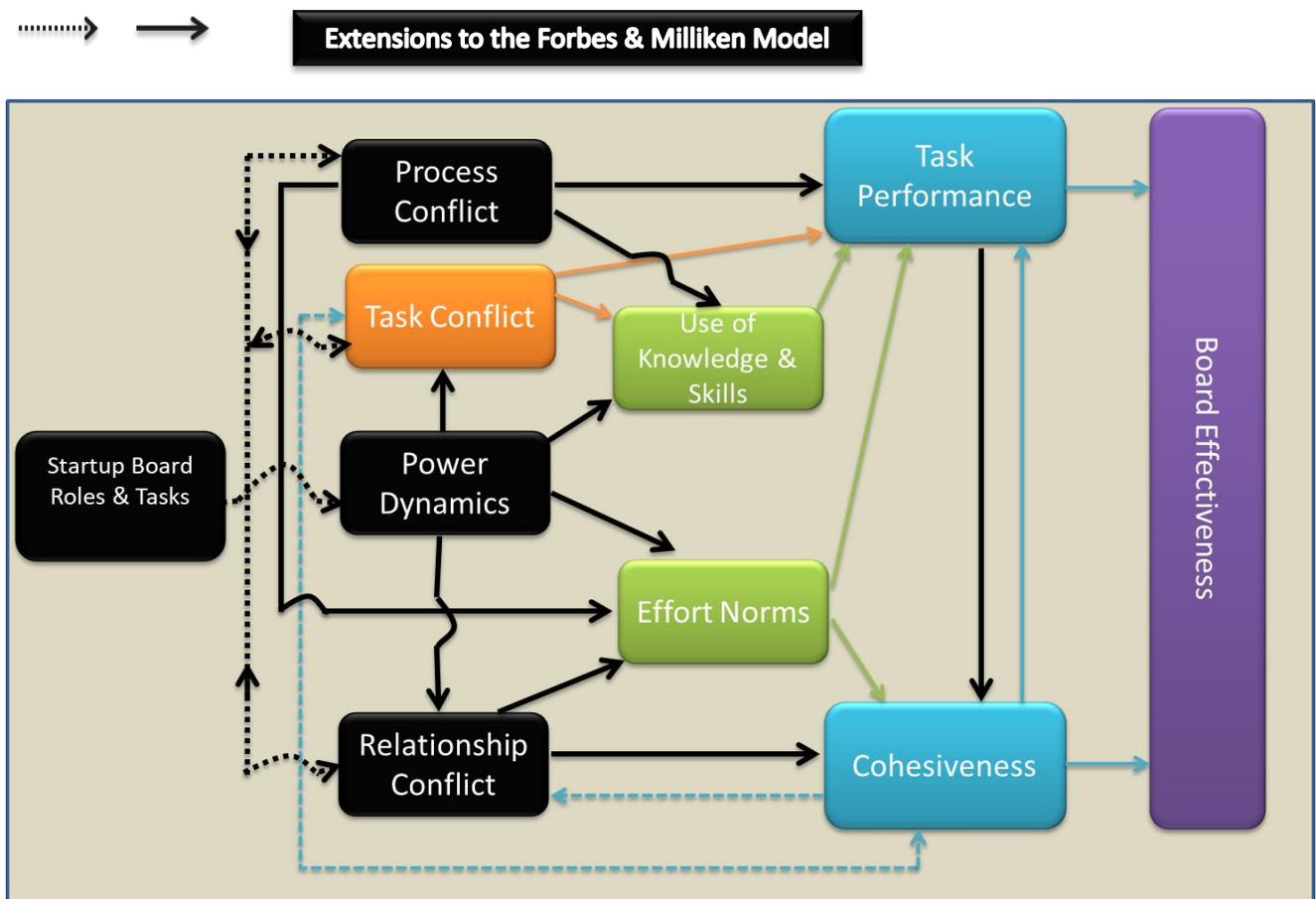


Figure 17 EMBE Conceptual Model Highlighting Extensions to Theory

4.7 Research Questions

- Research Q1.** *What do the interactions between Angels and founders mean for board effectiveness as predicted by existing group theoretical constructs of intragroup conflict and power relations?*
- a. *How is power experienced by the members of early stage boards?*
 - b. *What does the way power is distributed across board members mean for the board's strategic and advisory roles?*
 - c. *How does conflict manifest itself during Angel and founder interactions?*
 - d. *How can this be interpreted in terms of importance to the board's task performance and group cohesiveness?*
- Research Q2.** *How does this differ from the Angels perceptions of board effectiveness, and from their perceptions of the meanings of interactions for board effectiveness for early-stage boards?*
- a. *How do Angels perceive the effectiveness of the board on which they serve?*
 - b. *How do Angel investors see their interactions with founders affecting the board's ability to make decisions, guide strategy and provide advice?*
 - c. *How do Angels understand the effect these interactions have on the social cohesiveness of the board?*

4.8 Initial Propositions Derived From Conceptual Framework

Proposition 1. A company's industry sector, stage, and founders' skills and knowledge determine the roles and tasks of a board. Power dynamics on early stage Australian boards are shaped by these roles and tasks as they determine which sources of power may be available and inform role expectations.

Proposition 2. Power dynamics on early stage boards in the Australian context mediate the level of: divergent and convergent task conflict, willingness to use knowledge and skills, and effort norms. They thus influence the level of board effectiveness through task performance and cohesiveness.

Proposition 3. Process conflict on early stage Australian boards has a negative direct effect on task performance, and additionally an indirect negative effect on both cohesiveness and on task performance through its effect on the board's use of knowledge and skills, and on effort norms.

Proposition 4. Relationship conflict has a direct negative effect on cohesiveness, and an indirect negative effect on both cohesiveness and on task performance through its effect on effort norms.

CHAPTER 5 METHODOLOGY

5.1 Research Paradigm

Chapter 4 detailed the conceptual framework for this study, and this has influenced the view taken of what might be a complementary choice of methodology. The choices made for the research conducted for this thesis is presented in this chapter, and their features discussed and justified and contrasted to other approaches less suitable.

Shaw (1999) bemoaned the fact that positivist approaches to research have engendered an attentiveness to the structural rather than the relational in the context of small company research, and more than a decade later authors were still echoing this sentiment in the domain of corporate governance (Hough, McGregor-Lowndes & Ryan, 2005, van Ees, Gabrielsson & Huse, 2009, Huse et al., 2011). An advantage of qualitative research over quantitative is its “deep engagement” with phenomena under investigation (McNulty, Zattoni & Douglas, 2013, p. 192) where the research is marked by seeking to ensure that data collection is performed in a phenomenon’s social context, and that new knowledge is based on the participants’ perspective (Shaw, 1999). In this paradigm, the phenomenological researcher is the research instrument, and often does not know what is unknown to them about the phenomenon under study (Seamon, 2000).

As this governance research project is exploratory and descriptive, studies human behaviour (and is thus concerned with social realities (Shaw, 1999)) and seeks to identify the perhaps unspoken or concealed aspects of experience (Marshall & Rossman, 1999), it is best situated within an interpretivist, constructionist paradigm (Eriksson & Kovalainen, 2008). The phenomenological method is ideal for capturing the ‘thick’ (Geertz, 1973) description of lived experiences of the individual Angel investor in order to explore the ‘how’ of Angel/founder interactions, and how they are perceived to be important to boardroom processes in the context of early stage companies (and is anyway to be preferred for qualitative studies of small firms according to Shaw (1999)).

Of the two major types of phenomenological approach, interpretive (or hermeneutic) phenomenology is concerned with the individual's own interpretation of their lived experiences, as seen through the lens of their own background (and then subject to further interpretation by the researcher). This is then better suited to an interpretivist paradigm than descriptive phenomenology, in which the researcher assumes a more or less 'disinterested' or impartial stance (Laverty, 2003). In the hermeneutic method, theory is used to focus the research rather than to generate hypotheses, and also guides the choice of sample, and of research questions.

The presence of a theoretical framework serves to surface the researcher's preconceptions and assumptions, important in phenomenological studies, and can then be used to interpret the collected data (along with an explanation of its application by the researcher). The nature of the process creates a comingled (stemming from both the participant and the researcher) interpretation of the phenomenon under study (Lopez & Willis, 2004).

The initial analysis in this study has followed a phenomenological approach, in the hermeneutic tradition of Heidegger (Berglund, 2007), to qualitative research. Hermeneutic inquiry is interested not only in subjectivity. Indeed, to underscore his view that it is not possible to abstract oneself from one's environment, Heidegger coined the term 'being-in-the-world'. It is interested in what may be inferred about individual experiences from the narratives and how the 'lifeworlds' that they inhabit factor in to commonalities in subjective experience, or to the dissimilarities between these experiences (Lopez & Willis, 2004). Here 'lifeworld' signifies "the tacit context, tenor and pace of daily life to which normally people give no reflective attention. The lifeworld includes both the routine and the unusual, the mundane and the surprising" (Seamon, 2000, p. 4)

Combining methodologies, or applying multiple theoretical lenses to ensure that results from qualitative research as are comprehensive as possible and provide rich insight (Jonsen & Jehn, 2009), often called triangulation, is strongly recommended by methodologists and qualitative researchers (Veal, 2005, Creswell, 2009, Jonsen & Jehn, 2009, Okhuysen & Bonardi, 2011, Miles, Huberman & Saldaña, 2013) in order to encourage diverse interpretations of the source data and highlight the

distinct insights of each approach (Lewis & Grimes, 1999). Triangulation may corroborate or call into question original findings, or find outliers to be investigated further (Miles, Huberman & Saldaña, 2013), or at the very least will add to the ‘thickness’ of the descriptions.

To provide this additional interpretation of the collected experiences of research participants, this research project has also applied a critical methodology in a manner that seeks to understand what exactly is at play; through discourse analysis. Organizations of all sorts are more than their structural constituents and the sum of their rules and processes; and organizational stories or narratives are evidence of this (Grant & Iedema, 2005). Narratives and discourse can us help make sense of organizational experiences according to Rhodes (2002, p 104):

Organizations can thus be understood as socially constructed verbal systems in terms of stories, discourses and texts where each person who is part of the organization has a voice in the text but where some voices are louder, more articulate and more powerful than others . . . Such a textual approach sees the organization as being constantly interpreted and re-interpreted by its members and others who come into contact with it.

The analysis of discourse is well established in Organizational Studies (e.g. Kwon, Clarke & Wodak, 2009, Chouliaraki, 2010, Alvesson & Kärreman, 2011, Phillips & Oswick, 2012), has been used in the entrepreneurial realm; Jones and Spicer (2005) moving beyond the merely discursive to the psychoanalytical by invoking the works of Zizek (e.g. Žižek (1989), Zizek (1990)) and Lacan (e.g. Lacan (1960)), and has even gained a toehold in the board domain (Ng & De Cock, 2002).

While the initial phase of analysis can be termed constructivist, concerned with the way that participants are actively involved in constructing their experience of phenomena, the second, critical, stage of analysis is situated in the discursive arena, where participant’s narratives are taken to draw on shared discursive resources available to them (King & Horrocks, 2010).

5.2 Research Participants

The target population for this study was that group of Angel investors in Australia who were currently sitting on, or had recently been members of, boards of high-technology early stage companies in which they have invested. In line with a commonly used definition of technology startups (startupAUS, 2013), these organizations were either developers of new information technologies or had used them in innovative ways to provide a service or product:

- Technology was central to the product/service being provided.
- High leverage of the labour input to the product/service so that the business could scale rapidly.
- The product/service is a ‘disruptive innovation’ in that it helps create a new market or new supply chain/network which disrupts an existing market.
- Revenue under \$5 million per year.

Due to inherent difficulties in recruiting participants to the study, companies considered to be in the ‘growth’ technology category (< \$50m) under this definition were also included if they otherwise fit the description. Consequently, ventures in the software, services and hardware domains were included in this study (see Chapter 6 for more details of ventures included).

In terms of sampling strategy, qualitative research is typically uninterested in large sample groups, and in phenomenological research in particular it is the case that

Participants for research projects are generally selected based on different criteria than those used to meet statistical requirements. The aim in participant selection in [...] phenomenological research is to select participants who have lived experience that is the focus of the study, who are willing to talk about their experience, and who are diverse enough from one another to enhance possibilities of rich and unique stories of the particular experience (Laverty, 2003, p 18).

Whereas the aim of probabilistic sampling is to generate a representative sample set which from which results can be projected onto a much larger population, the objective of purposive sampling is in unearthing those cases which have ‘rich’ information relevant to the research question (Laverty, 2003).

Purposive sampling of Angels in capital cities available through personal and professional networks was used in this research, with an initially projected maximum of between ten and fifteen participants, which due to significant difficulties in obtaining research participants, was reduced to seven. Sample

size cannot in any case be predetermined in phenomenological research as this depends on the point when thematic saturation is reached (Laverty, 2003). A relatively small sample size is justified by the literature (Parry, 2003, Guest, Bunce & Johnson, 2006, Creswell, 2007, Mason, 2010), especially since the target group can be considered a hard-to-reach elite (Adler & Adler in (Baker & Edwards, 2012)). Purposive sampling allows the deliberate selection of cases rich in information for the study. The National Statement on Ethical Conduct in Human Research allows that the most common approach to sampling in qualitative methods is purposive sampling, which endeavours to select research-relevant, information-rich cases and that any judgement of rigour of such methods should not be made on the grounds of sample size (NHMRC, ARC & AV-CC, 2007).

Further, the statement concludes that "...the objectives and theoretical basis of the research should determine the size of the sample and the sampling strategy. For example, some qualitative methods use a principle of 'saturation', where sampling occurs until no new information is being obtained..." (NHMRC, ARC & AV-CC, 2007, Sec.3.1.6). Expressed in terms perhaps more sympathetic to the worldview of the phenomenological researcher, the point of saturation is achieved when no clearer understanding of the phenomenon under examination will be gained through discussion with participants (Laverty, 2003). A typical Interpretive Phenomenological Analysis (IPA), as is applied in this research, involves somewhere between six and ten interview participants (King & Horrocks, 2010).

After a preliminary pool of potential participants was identified from the researcher's networks, initial contact attempts were made either via social media (specifically through Angel groups on LinkedIn) or by email attached to an introduction from a mutual connection where this was required, and included contact details for the student researcher. The information to participants form (see Appendix A) was supplied at that time. After indicating willingness to participate via return email or phone call, appointments for interviews with participants were scheduled by exchange of email for a mutually convenient time, and mutually agreeable location.

Subsequent rounds of solicitation were made via referrals from colleagues, placing a request for participants in the newsletter of an Angel group through the auspices of an investor who had already been interviewed, in the weekly email summary of another investor group, through further calls for participants on social media Angel groups; all in addition to direct approaches.

The magnitude of the difficulties in recruiting qualified participants was unexpected, as informal approaches to, and conversations with, Angel investors by the researcher had indicated a generally positive interest in the research project. This interest did not however translate into willing participants, even amongst those who had exhibited earlier enthusiasm. Even those Angel investors who had already participated were unable to recruit further research participants, which on reflection was perhaps an indication that Angel investors may have been suffering from ‘pitch fatigue’, that is, grew tired of constant requests for time and attention.

A judgement had to be made that any more than three approaches to an individual or group for participation in the project was unreasonable and ethically problematic. It is unknown whether more persistent attempts at recruitment would have resulted in more or fewer participants (because of word of mouth effects), but it is perhaps less likely that participants recruited in this way would have been as open and honest as those who participated in the research more willingly.

There were many others who were willing to participate, but did not meet the criteria for inclusion because: they were founders, executives, or managers rather than directors of the startup; the company did not yet have a board as such; the company was not considered as an early stage or startup business, or did not otherwise match the definition above; or because they invested on behalf of an institution rather than their own account.

One of the research participants discussed events that were of a confidential nature, and concerned unethical and allegedly illegal acts by management and the consequent legal actions and counter-actions, in addition to the way that this played out in the boardroom. The decision was made to include this discussion in the research as a) the events recounted, while extreme (and extreme outliers are anyway of interest in qualitative research), are informative and relevant to the study and b) given

the small sample size, an extra data source was felt to be useful to the study. It was included after being subject to further anonymization in terms of company and informant demographics so as to preserve privacy and confidentiality. Other than its incompleteness, the interview text was treated the same way as other cases for analysis.

5.3 Data Collection

The literature search used to locate this research within the existing corpus (and thus to derive the research questions), has also been used to construct a theoretical framework for the research, which was detailed in Chapter 4. This framework has in turn guided the choice of type of data collected and the interpretation of the collected data, a suggested approach in phenomenological research (Lopez & Willis, 2004). Data collection was completed by way of semi-structured interviews of participants, the interview being the most prevalent method in qualitative corporate governance research (McNulty, Zattoni & Douglas, 2013).

This method is designed to allow the participant to tell their story while being guided through questions, in a setting that is comfortable for them (Laverly, 2003). The interview questions have been in large part constructed from the subsidiary research questions, and guided by the critical incident technique (CIT), where participants are asked to reflect on a particular out-of-the-ordinary experience to inform their answers.

CIT is a useful tool in phenomenological research as it allows rich context to be collected, is suited to the individual as the unit of analysis, and allows interviewees to recall events well; CIT has previously been used widely in entrepreneurial studies (Chell, 2004), and more recently has been applied to research into boards, because of its ability to provide ‘thick descriptions’ in interpretivist approaches (Bott & Tourish, 2016).

Previous research has shown that board members do not always identify or choose to identify conflict between directors as such, and indeed “tended to correct the interviewer by stating that differences of opinion and debate occurred within their board, however ‘conflict’ was not present” (Kerwin, Doherty & Harman, 2011, p. 574). Therefore, the interview questions did not mention conflict or power directly, and the interview participants were instead encouraged to talk about their experiences of the incident they had chosen with some guiding questions from the interviewer.

The interviews lasted for approximately forty-five minutes to one hour each, and took place in the interviewee's office, via a Skype call, or other place convenient for the participant (face-to-face interviews took place in cafes and a restaurant in addition to office settings). Interviews were recorded on two devices for the purposes of redundancy, especially important in this study where recruitment and scheduling of interviews proved particularly difficult, and then uploaded to disk. One interview that had been conducted in a setting with high ambient noise levels required the recording to be processed with signal processing software to emphasize the voice of the interviewee and dampen background music and conversations before it was suitable for transcription with the other recordings.

The interview questions (which had been slightly modified to account for the differing context) were piloted with one interviewee who was not part of the sample group (so as not to 'burn' sample, due to its small size and elite nature), but was a board member of a public sector agency and willing to assist. The initial questions and format were subsequently adjusted in very minor fashion for the interviews of research participants. In any case, the purpose of the interview questions in these semi-structured interviews were as prompts for the researcher, and to ensure that all relevant areas were covered; rather than fixed as is required in quantitative research for the purpose of comparison. The interview questions can be found in Appendix C.

5.4 Data Analysis

The first phase of data analysis began with the transcription of interviews and providing the interviewee with an opportunity to validate the content of the interview to correct any errors, or elide or obfuscate confidential information. Interestingly, two of the participants took this opportunity to largely rewrite parts of the transcripts so that their words flowed in a more pleasing manner, and to correct errors of grammar rather than for the sake of accuracy. The importance of verbatim accounts to phenomenological research was reinforced to these participants, and all subsequent transcripts were sent as .pdf files rather than Word documents to discourage wholesale editing.

The corrected transcripts were then de-identified. After being loaded into the data analysis tool (NVivo), the interview text received an initial coding into categories according to a preliminary codebook, which had been developed from the literature and conceptual framework as recommended by Creswell (2009), and has been presented in Chapter 6. The raw recordings and identified transcripts were archived, and backed up to the cloud to allow for referral at a later stage if required.

5.4.1 Data Analysis Phase 1 - Interpretive Phenomenological Analysis (IPA)

The end-goal of the Interpretive Phenomenological Analysis method (IPA) is to understand how the research participants experience a phenomenon (in this study, that of interacting with entrepreneurial founders on the board of a startup company); to try to come to an understanding of this experience from their perspective. Concurrently, IPA analysis can also surface motivations or hidden meanings from the text that the participants may be consciously or unconsciously veiling, or possibly of which they may even be unaware (Smith & Osborn, 2015).

The IPA method requires a researcher to undertake a close reading of one transcript in the first instance to familiarise themselves with the content, and then to seek out and make notes on points of interest and any emerging themes. These notes are then winnowed down into themes that seek to describe the essence of the text more succinctly. The next step in IPA requires the aggregation or

clustering of related themes, or themes that seem to be connected to create superordinate groups of themes. The themes generated from the analysis of the first transcript are then used to guide the analysis of further transcripts, and so on.

After all transcripts had been analysed in this fashion, the resulting set of superordinate themes were tabulated (Gill, 2014). This approach to analysis, known as idiographic analysis, begins with specific examples winding its way only eventually to generalized categories (Smith & Osborn, 2015). The final step in the process was the creation of the end product of the analysis; a narrative account where verbatim excerpts from the transcripts are included to provide support for the interpretations of the researcher (Gill, 2014).

“A methodology is not a correct method to follow, but a creative approach to understanding, using whatever approaches are responsive to particular questions and subject matter” (Laverly, 2003, p. 16). This methodological flexibility also holds true for the IPA method, and in fact it is recommended that the method be adjusted and adapted according to both the requirements of the research problem and to the researcher’s own work habits and preferences (Smith & Osborn, 2015).

Accordingly, the use of a slightly modified version of IPA in this research project is justified. The first transcript was coded using the preliminary codebook derived from theory as a starting point, and after which subsequent coding continued by applying codes developed from the contents of the text as well as existing, or modifications to, items from the initial codebook.

Specifically, the first, deductive, pass at coding was followed by a more detailed inductive coding derived from the data rather than the literature, which can be seen as supporting the view that, just as data cannot be analysed without any reference to ideas, the ideas themselves must be to an extent influenced by the data under analysis. The tension and interaction between these two practices, i.e. deductive and inductive analysis, is referred to as ‘abduction’ (Silver & Lewins, 2014).

Rather than the traditional manual means of coding in IPA using the left and right margins, transcripts have been coded and themes developed using NVivo software. IPA entails creating thematic groups through iteratively coding text, and then constructing superordinate groups to capture broader themes.

It also asks a level of reflexivity of the researcher, resulting in the so-called ‘double hermeneutic’ approach, where the researcher is in effect interpreting the participants’ interpretation of the phenomenon under investigation (King & Horrocks, 2010).

In doing this, several interpretations of the same piece of text may arise, due to a number of factors including whether, for example, the subject or the object of the sentence is under analysis, or the choice of verb, or the terms in which people or actions are described. In any case, one text fragment may serve to illustrate more than one aspect of a phenomenon; it may for example be seen as descriptive of facts in one context, and performative in another. Analysis at various points may emphasize what is said, the way it is said, or the context in which it was said (Pietkiewicz and Smith, 2014).

The use of computer-assisted qualitative data analysis software (CAQDAS) lends itself well to the grouping process and the coding and recoding required when applying IPA to a research problem, and in addition makes ‘playing’ with the coding, that is refining, moving members of coding groups, and recoding, much simpler. Furthermore, the use of qualitative software such as NVivo in coding allows a level of traceability that aids the qualitative researcher in demonstrating research quality. Analysis of data thus occurred in parallel with collection, and the text was further coded to develop themes, and then re-coded against them in an iterative fashion. This is a standard approach for phenomenological research (Creswell, 2007, Creswell, 2009).

5.4.2 Data Analysis Phase 2 - Critical Discourse Analysis (CDA)

Critical Discourse Analysis or CDA is a method of discourse analysis particularly suited to the investigation of discourse across the macro-, meso-, and micro-levels of analysis (Phillips & Oswick, 2012). The basic premise of CDA is that discourse is embedded not at any one level only, but within all three levels (immediate, organizational and societal). Performing CDA thus involves an inspection of the text or micro- dimension, examination of the discursive practice or meso- dimension, in addition to the consideration of factors in the social practice or macro- dimension.

The second stage of data analysis was a discourse analysis of the interview transcripts treated as texts, guided by the critical literature (Knights, 1992, Townley, 1993, Grant & Iedema, 2005, Eriksson & Kovalainen, 2008, Kwon, Clarke & Wodak, 2009, McCabe, 2010, Hardy & Thomas, 2013). While discursive approaches have often been applied in entrepreneurial research (Hjorth & Steyaert, 2004), organizational discourse analysis does not yet appear to have been used to examine early stage boards. Given the strength of competing entrepreneurial, venture investor, and managerial discourses in the early stage board environment, and given the other domains that have previously employed it, discourse analysis would seem to offer some insight in this context.

The ‘critical’ part of Critical Discourse Analysis is in its surfacing of the contested nature of discourses, and examination of privilege and marginalization within participant narratives (Phillips & Oswick, 2012). This has made CDA useful to those investigating power and power relations in organizations (Phillips & Oswick, 2012), and to this study of startup board interactions in general, and particularly with respect to power and its effect on task performance and cohesiveness.

To address the rhetorical question of the ‘point’ of organizational discourse analysis, in this case in the entrepreneurial domain, Hjorth and Steyaert responded with another question: “What is silenced by the lack of narrative and discursive approaches [...]? What major themes do we leave out?” (Hjorth & Steyaert, 2004, p.3). An analogous response would seem appropriate in the context of early stage boards (although there has been some work in a broader board setting, e.g. Ng and De Cock (2002), where the use of organizational discourse could serve to add another layer of understanding, especially if discourse is taken to manifest social practice (Grant & Iedema, 2005). It is an additional perspective to the group-constructs of power, and conflict on boards, where conflict or collaboration could be seen as engagement strategies employed by various actors to bring change to (or stop change to) the social structures of the board’s interpersonal relationships.

Viewed discursively, conflict may thus be considered not inherently bad or good, collaboration likewise may be intended to further a particular interest or group of interests. This latter may be the case where the appearance of cooperation is due to an asymmetry in power relations resulting in the

co-option of one party by another for example (Hardy & Nelson, 1998). Organizational discourse should be seen not as an alternative, but as an adjunct to (both/and rather than either/or) research methods applying the phenomenological lens to group processes.

The themes identified by these analyses were then interpreted in the context of the conceptual framework.

5.5 Data Analysis Tools

NVivo contains a number of tools to aid in manipulation and analysis of textual data. In this research project, the function to create occurrence histograms of words (in word cloud format) and word frequency tables was employed in addition to the coding and querying functionality.

Cluster analysis of cases (transcripts) around concepts/themes/codes and of word similarity, was performed initially in NVivo as a rough cut to aid in visualising possible segmentation, after which the data was exported to Excel to aid in further analysis, and for ease of visual inspection.

Further analysis in future research may be aided by using specialist software which enables analysis by K-means or similar algorithms to provide a fuller understanding of any clusters appearing across cases. It may also be valuable to subject the demographic data gathered from participants to a similar process of analysis.

5.6 Suitability

As the aim of this research was to understand the lived experiences of Angel investors on the boards of entrepreneurial high-technology early-stage companies in Australia, phenomenological studies which “describe the meaning for several individuals of their lived experiences of a [...] phenomenon” (Creswell, 2007, p57) addressed this well. Research that has studied the entrepreneur rather than the investor in entrepreneurial enterprise has used the phenomenological approach in general (Chell, 2004, Berglund, 2007) and the Critical Incident Technique (CIT) for interviews, in particular (Tjosvold & Weicker, 1993, Chell, 2004), to good effect, suggesting that this was a suitable approach to take.

The specific aims of describing the interactions between Angels and entrepreneurial founders by viewing them through the lens of theories that treat boards as groups, and describing these interactions in terms of competing discourses, have been addressed by using two different methods of analysis of the data. The inductive strategy inherent in phenomenological research addressed the aim of uncovering the meanings the interactions held for Angels in the context of the board’s decision-making, advisory and strategic roles by iterative building on the themes uncovered by the data analysis.

5.7 Research Quality

Whereas in positivist quantitative research, quality is measured by generalizability, reliability and validity, all to some extent measures of objectivity, a different approach must be taken in subjective interpretivist studies. Here, research quality has to be inherent in the design of the research (Leitch, Hill & Harrison, 2010) including its suitability to the problem (as addressed in section 5.6 above), and using the appropriate techniques (see sections 5.3 Data Collection and 5.4 Data Analysis, above). This can be summarised however as: a competent researcher understanding and choosing the right approach and techniques, being transparent both in the research design and their own preconceptions and biases, and showing fairness to the participants. To this end, the researcher's critical reflections on the work in this thesis can be found in the Discussion Chapter in Section 7.3 below.

Trustworthiness has been proposed as a qualitative alternative to reliability, though some authors such as Chell (2004) still use the latter label. In a reflective piece on research that he had completed, one author characterised trustworthiness as comprising 'credibility' – such as following accepted methodological procedures; 'transferability' – providing thick description; 'dependability' – the reliability of the research tools including transparency, thoroughness and care taken in data collection, and the honesty of the researcher; and 'confirmability' – demonstrably acting in good faith (Parry, 2003). Eriksson & Kovalainen (2008) give this last as 'conformability' – making links between data and findings understandable.

Alternative measures for qualitative research such as usefulness, plausibility, coherence and consistency have also been used (Eriksson & Kovalainen, 2008). In this study, the use of discourse analysis to provide an additional interpretation of the data not only functioned as in-methodology triangulation, but also allowed for the possibility of uncovering alternate or additional explanations for phenomena, thus increasing the study's trustworthiness.

The concept of 'validity' in quantitative studies is often replaced with 'validation' in qualitative methodological discussions, which in one definition is determined by ethical and substantive

validation, and by researcher quality (Leitch, Hill & Harrison, 2010). Ethical validation includes the usefulness of the research, addressed above; substantive validation includes a declaration of researcher biases, addressed in Chapter 7 (section 7.2 Critical Reflections) and presentation of compelling evidence; and researcher quality entails the researcher doing justice to the topic at hand.

Since the aim of phenomenological research is to study the particular, generalizability cannot and should not usually be claimed. However, transferability, where a thick and rich enough description has been provided, may enable others to be able to determine which aspects of the results are contingent, and which may fruitfully be investigated, or even applied, in other contexts.

5.8 Ethical Considerations

The Victoria University Human Research Ethics Committee has approved this research project, including the use of interviews for collecting data (see Appendix B). As the participants were members of an elite socio-economic group and are generally well educated, risks due to lack of autonomy, power inequality and inability to understand the consent process are negligible.

Privacy and confidentiality have been addressed by de-identification of all personal and company names in the data upon transcription of interviews, and by the secure storage of the raw, identified data (electronic recordings and transcriptions). Interviewees have had the opportunity to correct any errors in the transcript, and obfuscate any confidential business information. No paper copies of identified data have been stored. Interview questions were not designed to uncover illegal activities, and none were accidentally uncovered in the course of this study.

5.9 Reflections on Methodology and Process

Data collection proved to be even more difficult than initially anticipated. The elite group of Angel investors who were the informants for this research proved to be largely uninterested (or at best disinterested) in participation, with few exceptions. Whether this was due to a generally high failure rate of investee companies (and led therefore to unwillingness of investors to discuss what they perceived to be failure on their own part); or general unease in discussing their investments (although no questions were asked around investment dollars or valuations); or from a desire to remain under the radar; or due to time constraints caused by other commitments; or for other reasons entirely; was far from clear.

Those who belong to organized Angel groups perceived themselves to be very much part of an in-group, and perhaps because they had been relatively more successful, or just easier to contact, were more likely to participate than independent Angels were. Finding Angels who were demographically dissimilar to white males aged 50+ proved particularly problematic, with several approaches to female investor networks and individual female investors for example, failing to elicit any interest in participating. Only one participant was aged less than fifty, but again, was a white male. Anecdotally, older white males make up the vast bulk of Angel investors in Australia.

These difficulties in participant recruitment seem to be inherent to interview-based qualitative data collection where the participants are both few in number, and from a self-selecting and elite group. This may be one reason for the comparative lack of qualitative studies where Angels are informants. There seems also to be a balance point between a critical assessment of how ‘captive’ a researcher may be to the ideas, modes of thinking, and discourses of a group, and the ease of recruitment of participants because the researcher is part of the elite group under study (insider access to boards for example).

As a footnote, it is worth mentioning that even large scale quantitative studies have in the past had some difficulty in recruiting Angels as participants. In the US before the widespread adoption of

email, Aram (1989) made 40,000 contact attempts to CEOs of small companies asking them to pass on the researcher's contact details to potential business angels in their company. There were a total of 55 participants who completed the survey, and that after an additional 800 phone calls, for a response rate of around 0.14%.

CHAPTER 6 RESULTS

CH6 PART 1: RESULTS – PHENOMENOLOGICAL ANALYSIS

6.1 Introduction

Two forms of data were collected during the interview process. An initial set of demographic questions were asked of the participants about themselves, the company they chose to focus on for the interview, and the board of that company. Answers were noted by the researcher on the form found in Appendix C, and were not usually transcribed.

After demographic data had been collected, the interview participant was then asked to choose one incident of a particularly memorable nature on which to answer subsequent questions. This Critical Incident Technique (CIT) was chosen in order to mitigate the effects of conflating various board episodes, and to sharpen recollection of participants' lived experiences (Chell, 2004).

6.1.1 Investor Demographics

The participants had a median age of around 60, currently sat on an average of 4.6 boards, with total experience of an average of 17.5 boards. They currently had an average of just of 11 venture investments, with a lifetime total of around 28 investments. All had been educated at university, many at postgraduate level. All investors had significant experience working in corporates or as professionals (avg. 14.3 years) and board experience ranged from 7 to 30+ years (avg. 17.1 years). With respect to personal experience as an entrepreneur, the participants fell into two natural subgroups; two investors had no experience, and the other 5 had entrepreneurial experience ranging from 15 to 35 years (avg. of all investors was 16.4 years).

SUMMARY OF INFORMAL VENTURE INVESTORS

	Calvin	Linus	Oliver	Kyle	Milo	Charles	Will
Age	61-70	51-60	61-70	51-60	61-70	61-70	31-40
No. Current Boards	7	2	6	5	2	0	10+
Total No. Boards (Lifetime)	U	3	15-20	25	3	24	20-30
No. Current Angel Investments	10	10	12	10	8 or 9	3	20-25
Total No. Investments (Lifetime)	U	U	26	29	12	12	60+
Highest Education Level	Undergraduate	Undergraduate	Undergraduate	Postgraduate	Postgraduate	Postgraduate	Postgraduate
Corp/Prof Experience Yrs	15+	17	15	20	15	10	8
Board Experience Yrs	20+	9	14	30+	14	25	7-8
Entrepreneurial Exp. Yrs	0	0	20	20	25	35	15
Member of Angel group?	yes	yes	yes	yes	yes	no	no
Director Type, Board in Focus	Exec	Non-Exec	Non-Exec	Non-Exec	Non-Exec	Non-Exec Chair	Non-Exec
Tenure, Board in Focus	1 to 2	6mths- 1yr	5yrs+	13mths - 2yrs	5yrs+	5yrs+	5yrs+

Outlier	U = Unknown
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Table 3 Demographic Characteristics of Informal Venture Investor Interviewees

Five of the investors were members of a formal Angel group in their home states, one was not a member of any group, and one declared that he did not necessarily identify with the term Angel and was not interested in joining a formal group.

Beside the outlying data for entrepreneurial experience and formal Angel group membership mentioned above, Charles was alone in not currently being a member of a board. Will also had markedly different demographic characteristics to other participants. He was much younger (<40), sat on many more boards currently (>10), and had more than double the number of venture investments, both current and total (20-25 and 60 respectively).

6.1.2 Company Demographics

The semi-structured interviews with investors employed the CIT, which asked the respondent to consider one incident (that may have unfolded over time) around which to base their answers. Therefore each of the investors spoke mainly of their experiences with one particular company, detailed in Table 4 below. The companies were located in Western Australia, Queensland, New South Wales and Victoria.

SUMMARY OF INVESTEE COMPANIES

Investor	Company	Sector	Equity %	Expected Exit Timeframe (yrs)	Preferred Exit Mode
Calvin	GammaCo	Software	4	5	Trade sale
Linus	ZetaCo	Other	5.5	4 to 6	Trade sale
Oliver	DeltaCo	Other	8	3	Trade sale
Kyle	EpsilonCo	Software	4	1	Trade sale
Milo	KappaCo	Service	14	U*	Trade sale
Charles	RhoCo	Other	25	5	Trade sale
Will	TauCo	Hardware	20	2 to 5	Trade sale

* Unknown, exit after disagreement with other directors

Table 4 Summary of Name, Sector, Investment & Preferred Exit, by Investor Interviewee

Two of the investee companies were from the software sector, one a technology-mediated services company, and one from the high-technology hardware sector. The three companies listed as other were in the energy efficiency, combined hardware and software, and one where the category was shared with the researcher, but required to remain confidential. Personal equity stakes ranged from 4% to 25%, although in the case of DeltaCoCo, Oliver represented investors holding a further 20% equity, and on EpsilonCo's board Kyle also represented the interests of other Angel investors.

Expectations of when exits would be likely varied according to the stage of the company at the time. One company (EpsilonCo) failed before shortly after the events described by the investor. What was obvious from data collected about the interviewee's attitudes to their investments in these particular companies was the common desire to exit via a trade sale, rather than through public listing or other exit scenarios (e.g. management buyout).

Calvin "Trade sale is the best because that forces an exit rather than a listing, I just hang in there, I hate selling my investments. One of my big mistakes as an angel investor is that I don't exit when I could and should".

6.1.3 Board Demographics

The median size of the early stage boards spoken about by the investors was 4 members, with either 3 or 5 members being the most common. This is in line with what is thought to be typical of early stage boards in the UK or the US (Pollman, 2014, Blagburn, 2016, Quinton, 2016). GammaCo was a clear outlier with 9 board members, and also had more founders on the board (3) than any of the other boards, which had only one founder board member (except KappaCo, which had either 1 or 2 members at different stages during the events described).

SUMMARY OF INVESTEE BOARDS

Investor	Company	Sector	Company Age (yrs - at incident)	Board Size	No. Founders on Board	No. Other Investors on Board	Founder is CEO/CTO?
Calvin	GammaCo	Software	1 to 2	9	3	1	CEO
Linus	ZetaCo	Other	2 to 5	3	1	1	CEO
Oliver	DeltaCo	Other	5+	3	1*	1	Other
Kyle	EpsilonCo	Software	5+	4	1	2	CEO
Milo	KappaCo	Service	6mths	5	1 or 2	2 or 3	CEO
Charles	RhoCo	Other	5+	3	1	1	CEO
Will	TauCo	Hardware	5+	5	1	2	CTO

* Chair represents founder group

Table 5 Structural Board Characteristics by Investor Interviewee

All boards bar one (DeltaCoCo) had a founder on the board, in five cases this person was the CEO of the company, and in one case the founder was the CTO. In the case of DeltaCoCo, the Chair represented the founders' interest.

6.1.4 Interview Data

The aim of the CIT in this research is to focus the interviewee on a particular incident, episode or event so that they do not have to resort to generalities in their answers, and to allow for better enhanced recall. However, as this research is concerned with uncovering the meaning that the investors ascribe to incidents, rather than any making claims to exact recall or literal accuracy, this latter is less important than the event's salience to those recounting them in understanding their experiences (Bott & Tourish, 2016). Indeed, however accurately they recall events, the investors whose stories inform this research are conveying the "truth of life in their organizations" (Bott & Tourish, 2016, p. 284) as they perceive them. Table 6 below summarizes the incidents chosen by the investors in their interviews, and indicates the incident typicality in the early stage company context, categorized according to Bott and Tourish's (2016) typology.

NATURE OF CRITICAL INCIDENTS CHOSEN BY PARTICIPANTS

Incident	Typicality*
Calvin <i>Replacing one of the founders of the company as CEO</i>	Atypical: low frequency / high salience to participant
Linus <i>A proposed reversal in strategic direction for the company</i>	Archetypal: high frequency / high salience to participant
Oliver <i>Moving a technology into a new company for an exit</i>	Atypical: low frequency / high salience to participant
Kyle <i>Sale of company</i>	Atypical: low frequency / high salience to participant
Milo <i>Cash crunch as company was about to run out of money</i>	Atypical: low frequency / high salience to participant
Charles <i>Bringing in a new investor to the company and the board</i>	Archetypal: high frequency / high salience to participant
Will <i>Replacing one of the founders of the company as CEO</i>	Atypical: low frequency / high salience to participant

* Typology of Typicality for Critical Incidents (Bott and Tourish, 2016)

Table 6 Critical Incident & Incident Typicality by Interviewee

6.1.5 Interview Questions and Constructs

While data collection for qualitative research based on interviews does not necessarily display the close relationship between questions for participants and constructs derived from theory that a survey instrument exhibits; the interview questions in this project have been considerably informed by the research questions (with several questions expected to elicit responses involving several concepts). In using the IPA method, while interesting experiences may be evinced from interview questions aimed elsewhere, some initial correlation between the questions asked and the phenomena to be uncovered increases the likelihood of including all the intended areas in participant responses. A mapping of the interview questions to concepts derived from the literature (Forbes & Milliken, 1999, Beal et al., 2003, Bailey & Peck, 2011) can be found in Appendix D.

Demographic data and interview transcripts were then loaded into the NVivo software package to facilitate coding. It is usual when using the Interpretive Phenomenological Analysis method, to code one transcript first, and then apply codes developed there to the other data, amending codes iteratively as required (King & Horrocks, 2010).

6.2 Cases

In this section, each investor/company/board grouping has been presented individually, to ascertain how the investor experienced their interactions with other board members, in terms of power dynamics and the three types of intra-group conflict (task, relationship & process), and how they felt about the task performance, cohesiveness and overall effectiveness of their board. In Chapter 6 Part 2 the results from a cross-case analysis have been presented, where commonalities and differences in the lived experiences of informal venture investors in their interactions with entrepreneurial founders has been explored.

The first interview transcript (that of Calvin) was coded in its entirety before coding began for any other interviewee, using codes derived from the theoretical framework as a guide. The initial coding pass coded text to Power, Conflict, Decision Making, Cohesiveness, Effectiveness and Board Roles, derived from the theoretical framework (see Table 7 below), and also coded to new codes that were derived from the text. These codes were then coalesced into themes, and then clusters of themes as an initial pass. Further themes were identified during the coding of the remaining transcripts.

After three coding passes, the resulting themes and clusters of themes identified were finalised, and have been presented in tabular form in Section 6.3 below.

CODING FROM FRAMEWORK

Top Level Code	Theoretical Basis	Sub-codes
POWER	<i>Pettigrew and McNulty (1998)</i>	Coercive
		Experience/Expertise based
	<i>Peebles (2010)</i>	Access to resources
		Coalitions
CONFLICT	<i>Jehn (1995,1997)</i>	Agenda setting
		Discursive
		Task
DECISION MAKING	<i>RQ 2b</i>	Relationship
		Process
EFFECTIVENESS	<i>Forbes and Milliken (1999)</i>	Good Process
		Bad Process
COHESIVENESS	<i>Beal, Cohen, Burke & McLendon (2003)</i>	Overall
		Task Performance
		Task Commitment
BOARD ROLES	<i>Forbes and Milliken (1999)</i>	Group Pride
		Interpersonal Attraction
	<i>Ong and Wan (2008)</i>	Advisory
		Strategy

Table 7 Initial Coding Framework

6.2.1 Case 1 - Calvin and GammaCo

Calvin was in his 60s, had had over 20 years' experience serving on boards, and was a seasoned Angel investor with ten current venture investments, and a member of a formal Angel group. He had previously been an Angel investor in GammaCo, a software company, which went from startup to a listing in only 2 years. He had not had any entrepreneurial experience, and was one of two investors and three founders on GammaCo's nine member board, with one of the founders acting as CEO. Calvin joined the board as an executive director, the only one of the Angel investors in this category.

At the time of the events described by Calvin, GammaCo was between one and two years old. The critical incident that Calvin chose to reflect on was the removal of one of the founders, and 'driving force' behind the company, as CEO of GammaCo by the board. Calvin left the board of GammaCo sometime after this event.

POWER

Most of the text in Calvin's interview transcript coded to power-related nodes was around sources of power. This included segments relating to power derived from 'rules', that is, law or regulation or board charters etc. such as his statement that the entrepreneurial founder had made choices that the board opposed, and thus should not continue in his position:

¶2: *"the key entrepreneur and founding director/MD at the time was doing some things that the board could not accept and we sacked him"*

Another source of power was access to resources, including the resources required to sustain a legal defence to defend the company against actions brought by the ex-CEO:

¶2: *"we had to eliminate the driving force behind the company and ended up in a major legal battle with him"*

Calvin seemed to have a clear idea that power could be derived from the collective experience and expertise of the board members of this board in particular:

¶4: *“the rest of the board were incredibly experienced and highly regarded businessmen so we all came to the same conclusion and there was never any doubt in anyone’s mind that that was the step that had to be taken”*

and of startup boards in general:

¶28: *“clearly the executive team is very often one or two people and very often inexperienced compared to the board members and the board has a very important, very involved role to play”*.

Other sources of power coded to Calvin’s transcript included discursive power deriving from the discourse of investors, and the power derived from being able to determine or alter the board’s agenda, the power of an executive director (and consequent lack of power for non-executive directors), and the ability to muster coercive power. However, the largest number of items coded to power related to power-in-numbers. Power-in-numbers manifested itself in terms of number of members of the board:

¶14: *“But there was a clear majority for the action we had to take”*

¶15: (Interviewer) So it came down to a vote basically did it?

¶16: *“yes it did”*

as well as in terms of the power of owning a significant number of shares:

¶14: *“Well there was one dissenting director, very strongly dissenting in fact and he was also the first angel investor in the company and he took a strongly dissenting view and he at that time had a 5% shareholding so he was clearly still a voice to be listened to”*.

In terms of using power, Calvin’s account demonstrated that he felt that at least one of the members of GammaCo’s board (a lawyer, rather than a founder or investor) was adept at wielding political power, by manoeuvring himself into an executive director position after the board had fired the founding entrepreneur as CEO:

¶2: *“we appointed him interim CEO but he was gluing himself to that seat”*

¶10: *“Again the CEO who came in and glued himself to the seat insisted that he be given the right to choose his own board essentially”*

The board as a whole was also able to demonstrate that they were able and willing to use power, even force, when required:

¶20: *“he was asked to immediately leave the premises and we ended up having to have armed guards in the reception”*.

Calvin’s account also contained indications of use of shared power, demonstrated by all board members having the opportunity to submit items for the agenda, and by the use of consensus in decision-making in most (but not all) situations:

¶26: *“Has to be by consensus, absolutely, board has to reach that sooner or later, it cannot be otherwise, you can’t have strong dissention at board level without creating major problems”*.

CONFLICT

Calvin mentioned his response to conflict several times, often using the same emotive language of trauma to describe his and the board’s reactions:

¶2: *“and that was obviously a very traumatic step to take”*

¶9: (Interviewer) Do you think that this event brought the rest of board closer together or did it really highlight divisions between the various people?

¶10: *“No, it was a very confronting period”*

¶10: *“so it was a very traumatic change for the board and for the company”*.

The board’s response to the relationship conflict between themselves and the original CEO was also fairly extreme:

¶20: *“he was asked to immediately leave the premises and we ended up having to have armed guards in the reception”*.

Calvin’s account also remarked on the emotive response to conflict (both cognitive and relationship) between the other founders of GammaCo and the original CEO:

¶4: *“the other two co-founders of the company [...] became very upset about the risks he had been taking and the people he got involved with”*.

There were several types of conflict evident in Calvin’s narrative. Cognitive or task conflict, which stemmed from disagreements about ideas, solutions or vision for the company was in evidence, for example in the board siding with the founders other than the CEO who:

¶4: *“had a very different and much narrower vision of the company than the MD”*.

Calvin also mentioned several instances of relationship conflict, or conflict stemming from personal disagreements or dislikes (although relationship conflict may itself evolve from earlier task conflict if it is severe or ongoing, or is accompanied by a lack of trust (Bendersky et al., 2010, Choi & Cho, 2011)), such as his very apparent dislike of the new interim CEO:

¶10: *“Again the CEO who came in and glued himself to the seat”*

and the board’s escalation of the disagreement, and complete relationship breakdown with the founder/CEO:

¶20: *“he was asked to immediately leave the premises and we ended up having to have armed guards in the reception”.*

The removal and banning from the premises of the CEO after a power struggle with the board was not the only example of power driven conflict in Calvin’s account. The incoming interim CEO (who was already a board member) found himself in conflict with some of the rest of the board (and certainly Calvin) over the process of determining the make-up of the board, and seemingly over status.

¶10: *“Again the CEO who came in ... insisted that he be given the right to choose his own board essentially, so it was a very traumatic change for the board and for the company”.*

EFFECTIVENESS/COHESIVENESS/TASK PERFORMANCE

Calvin was very admiring of the board of GammaCo before the upheavals associated with the incident that he recounted, and that admiration seemed to be accompanied by trust amongst the board members, enough to appoint one of their own number to run the company on an interim basis:

¶2: *“one of the board members we had appointed was a lawyer and found a very elegant solution to the legal problem we were in and we appointed him interim CEO”.*

Although his admiration for this fellow director reversed after a time, Calvin was effusive in his praise for the board:

¶2: *“they had a wonderful board”*

¶4: *“the rest of the board were incredibly experienced and highly regarded businessmen”*

¶38: *“it was wonderful, it was a top notch board”*

¶44: *“Yes it was very professionally handled, the people involved had themselves vast board experience from other listed companies and considerable enterprises so it was a very strong board”*.

Calvin gave the impression that he also had pride in himself for being a part of this board, with its experienced and well regarded directors, and the above quotes also reflect a sense of belonging to this board.

Calvin also felt sure that the other directors shared this this sense of belonging:

¶39: (Interviewer) How do you think others felt about belonging to the board, do you think others felt the same way as you

¶40: *“– yes I am sure”*.

Calvin’s admiration for the board was driven by his view that individual and collective expertise was at a very high level on the GammaCo board:

¶4: *“the rest of the board were incredibly experienced and highly regarded businessmen”*

and that the board was able to make the right decisions due to this expertise:

¶18: *“No, I think it was handled the best way it could be handled, I do not see that there were any particular things that could have been done or should have been done differently”*

¶31: (Interviewer) It was basically give and take with the executives and non-executives in terms of strategic directions etc.?

¶32: *“a decision taken based on the best evidence before the board and that was how it worked”*.

Another driver of cohesiveness according to Calvin, was the general harmony on the board caused by lack of intra-group conflict until the ouster of the founder CEO. Comments about the ubiquity of agendas and detailed debate before decisions pointed to Calvin’s perception that the GammaCo board employed good board process, and he believed that generally the GammaCo board performed the tasks required of it very well:

¶41: (Interviewer) Did you think the board was good in performing its tasks in general

¶42: *“Yes it was. It is quite a feat to take a company from start-up to public listing in 2 years”*.

DECISION MAKING

Decision-making processes at GammaCo prior to the removal of the founder CEO had been generally good according to Calvin:

¶29 (Interviewer) [...] do you think the way that you interacted [...] affected the way that the decisions were made

¶30: *“I would say that up to that point the board had functioned in a very amicable and harmonious way, see no problems at all”*

¶32: *“There was obviously a lot of discussion as it should be, important decisions need to be debated in detail and a decision taken based on the best evidence before the board and that was how it worked”.*

Dissent, even strong dissent, was listened to as part of decision making by the board of GammaCo, even in a time of crisis:

¶14: *“Well there was one dissenting director, very strongly dissenting in fact and he was also the first angel investor in the company and he took a strongly dissenting view and he at that time had a 5% shareholding so he was clearly still a voice to be listened to”*

Although Calvin had expressed a clear preference for consensus decision-making, in this case numbers on the board prevailed:

¶14: *“But there was a clear majority for the action we had to take”.*

During the incident, decision making formalities followed a non-standard path, although this seemed necessary to Calvin due to the circumstances:

¶8: *“we had four or five meetings and obviously held outside the company at the home of the chairman”.*

BOARD ROLES AND TASKS

The majority of Calvin’s comments around the board’s roles were in the area of the board-as-strategic-change-agent,

¶2: *“we had to eliminate the driving force behind the company”*

although most of the commentary was a dismayed reaction to the change not being of the sort with which he was comfortable:

¶2: *“[he] took the company in a radically different direction than it had started out”*

¶36: *“I had a very strong vision where I wanted that company to go and I was so disappointed when it was taken in a direction that I didn’t want to be involved with it [...] It was a completely different direction than what the company was when we started out”*

Calvin did take pride in the board’s strategic role in taking the company public though:

¶42: *“it is quite a feat to take a company from start-up to public listing in 2 years”*

The board’s role in monitoring the executive was mentioned only briefly with respect to reviewing evidence before terminating the chief executive’s employment, as was its advisory role, which Calvin viewed as providing a backstop for the management team:

¶28: *“so you really get to cover all the bases because clearly the executive team is very often one or two people and very often inexperienced compared to the board members and the board has a very important, very involved role to play”.*

6.2.2 Case 2 - Linus and ZetaCo

Linus was an experienced businessman aged in his 50s, and was one of the two research participants who had not had any direct experience as an entrepreneur. At the time of interview, he had just less than ten years' experience as a board member, and like Calvin was a practiced Angel investor with ten current venture investments. Linus was also an active member of an Angel group. He was at the time of the interview a current Angel investor in ZetaCo, a company that was less than five years old, which provided combined hardware and software products. Linus was one of two investors and one founder (who performed the CEO role), on ZetaCo's three member board.

At the time of the events described by Linus, he had been on the board for less than a year, but had been an Angel investor in ZetaCo before his board appointment commenced. The incident that Linus chose to describe was the plan presented by the CEO/founder to reverse a strategic decision previously taken by the board not to enter the retail market, and how the board dealt with that proposal.

POWER

Similarly to Calvin, the majority of the text from Linus' interview coded to power-related nodes was about sources of power. In this case, the largest amount of text around power sources was coded to the node expertise and experience as a source of power. Linus was very confident of his expertise and knowledge gained through experience, as shown by this text segment:

¶51: *“ok, here are the things that you need to think about, once you've had a think about it and you think it's still a goer, here's the things I think you should cover off in any proposal that goes to the directors, right okay, and then we can have that discussion”.*

He was seemed very clear on the fact that his own expertise brought with it influence with management:

¶69: *“I'll come across something that may be of interest and I'll flick through a little email or whatever and say, you know, look, have a look at this and see if it's got legs, type sort of scenario”*

but also that the expertise and knowledge of others were influential:

¶22: (Interviewer) And who took the lead in this whole.....?

¶23: *“Oh the CEO, the CEO, which it has to...”*

Linus also touched on power derived from rules, as in the observation that the CEO needed to implement the board’s strategies, otherwise the board would use their power to dismiss them (the use of coercive power):

¶96: *“it’s up the CEO to execute what the board’s telling him and if he doesn’t execute, [...] or mate, you’re not listening to what we’re saying, and, you know, you’re the one that goes”*

Agenda power or power through force of numbers did not feature in Linus’ recounted experiences as sources of power.

Two other uses of power that featured in Linus’ account were that of shared power, which manifested itself as board consensus and access to the agenda:

¶39: *“but if something comes up that someone wants to put on it’s a matter of sending a note through to the chair to say, [redacted], can you basically stick this on the agenda cause I’d like to discuss it”*

¶59: *“all the boards I’ve been involved in it’s generally been consensus, it’s very rare that it’s gone to a vote”*

and the possible use of political power by the CEO in having one-on-one conversations with the directors to convince them of the need to change strategic direction:

¶49: (Interviewer) these conversations that were happening before the actual board meeting, was it generally everybody involved in terms of an email circular?

¶51: *“No no no, it was a one on one”*

CONFLICT

Linus made very little comment on conflict during the chosen incident, and most of the conflict mentioned by Linus falls into the task conflict type. An example was the board discussing whether or not the company should branch into the retail space after a previous board decision to explicitly stay away from that market:

¶43: *“No, like I said, look it was a fairly robust discussion in terms of, like I said, the pros, the cons”.*

The only mention of process and relationship conflict was about their lack, for example here speaking about the board after a heated discussion:

¶29: (Interviewer) So do you think this discussion highlighted divisions within the board...

¶31: *“No, there wasn’t a division”.*

EFFECTIVENESS/COHESIVENESS/TASK PERFORMANCE

Linus seemed to be very happy with the current board of ZetaCo, in terms of the way it went about its business, his part in it, and the other members of it. This was a change in sentiment from the way he viewed the previous incarnation of the board (of which he was not a member, but dealt with them as an investor in ZetaCo):

¶85: *“It works a lot better now, cause they’re doing what they should be doing”*

¶88: *“Apart from the CEO, there’s only the chair that remains from the last board”*

There was a sense of pride in the board that came across, especially in its ability to perform its tasks, and in opposition to his and other directors’ perceptions of the previous board:

¶92: *“... in my time it’s been good...from what I can gather it’s a lot different from what it was previously”*

¶85: *“It works a lot better now”*

Linus attributes some of this improvement in task performance to having the right mix of skills, with the CEO being an excellent operations person, and leaving the strategy to the board, and also to having some good processes (for example the existence of, and access to by all directors, an agenda).

The addition of an advisor to the board was also a cause of very positive sentiment:

¶88: *“we’ve also got another advisor on who’s very, very bright as well...it’s a bit scary, I’ve only met two people I think in all my career who thinks like me and she’s one of them”*

¶88: *“I’m halfway through discussing a point and she’ll finish it off and I’ll do the same, so that’s a bit spooky”*

Linus was pleased to belong to the board, and believed other directors also shared this view, now if not in the past:

¶96: *“... they’re a lot happier now than they were 12 months ago”*

DECISION MAKING

The decision-making of ZetaCo's board was very good in Linus' opinion, and the board's decision-making resolved issues that it faced effectively:

¶91: (Interviewer) And the way it goes about solving problems or issues, do you think they do that well?

¶92: “[...] in my time it's been good”.

He described many aspects of the board's decision-making in terms of processes that are generally considered to be good practice. For example, the board was prepared to review and revisit past decisions:

¶11: “so strategically the board had made a decision previously to get out of what we call the retail market”.

It was also willing to listen to dissenting voices in the revisiting of these decisions:

¶23: “it was a robust discussion, 'cause it's not every day that the board decides to go back into an area that probably 12-18 months earlier, they'd decided that they didn't want to be in”.

Other good decision-making processes on the ZetaCo board described by Linus included the board making decisions based on financials, the dissemination of board documents with detailed proposals for study prior to decision-making, extensive discussion, and a level of comfort in seeking more information from management if directors felt that they needed this,

¶59: “So that if the board's uncomfortable about something or a director's uncomfortable about something, they'll say I'm not prepared to give it my blessing now, because, you know, in the proposal you haven't prepared, I want some more information about this item, this item and this item, please circulate it back to the board prior to the next board meeting so we can understand the detail and we can then make a call there”

Although this was not generally required:

¶59: “Generally it's either a quick yes or no, but in some cases there is additional work to be done”.

Linus also reported that voting was rare, as most decisions were made by consensus, although this desire for consensus did throw up a process that may indicate that decision-making was not always best practice, and

Linus did not seem to consider it so:

¶59: “[...] it's very rare that it's gone to a vote, cause it's either black or white, there's very few sort of shades of grey, and if anything, a decision will get deferred pending some additional work.

Another aspect of decision-making that may be considered bad practice (again, not identified as such by Linus), was one-on-one discussions about an issue before the board meeting.

BOARD ROLES AND TASKS

In contrast to Calvin's account, Linus' comments covered a range of board roles and tasks. He mentioned the board's role in strategy-making:

¶11: *"so strategically the board had made a decision..."*

¶31: *"the new board's become, if you like, more strategic",*

strategic risk:

¶19: *"[...] the strategy, in terms of what's the upside, what's the downside",*

and the board's role in strategic change:

¶13: (Interviewer) So it was counter to the current strategic direction of the board?

¶15: *"Correct"*

¶23: *"the board decides to go back into an area that probably 12-18 months earlier, they'd decided that they didn't want to be in".*

Linus was also cognizant of, and pleased by, the fact that the board had transitioned to a more advisory and less hands-on role:

¶31: *"the new board's become [...] and more pragmatic and sort of more hands-off"*

¶85: *"So it's become more strategic and advisory rather than interfering".*

Another board role mentioned, in addition to the strategic role, was that of acquiring resources on behalf of the organization. Linus felt that this was a very important role for the board:

¶98: *"that's the role of any board, to set a strategy in place and if you don't have the resources, you've got to put the resources in to actually achieve it. That's their prime function for goodness sake".*

6.2.3 Case 3 - Oliver and DeltaCo

Oliver was a very experienced director aged in his sixties who had a current portfolio of twelve investments in early stage companies, and sat on six boards, at the time of interview. Oliver was also a veteran entrepreneur with over twenty years of experience and was a member of a formal Angel investors group. In common with half of the investors interviewed, he had an undergraduate qualification.

DeltaCo had the equal smallest board size of all the companies in focus at three members, including one founder (the Chair represented the founder group). Oliver had an 8% stake in DeltaCo, which developed technology in a sector required to be kept confidential.

The incident that Oliver selected for the interview was the partitioning of some of the technology, and transferring it to a new company for an exit.

POWER

Oliver's interview transcript had comparatively little text coded to uses or sources of power. References to a very collegial process set indicated that shared power featured on DeltaCo's board, and that the agenda, while a source of power, had not been restricted to be for the Chair's sole use, and was possibly only used in formal meetings.

Relying on the experience and expertise of the board as a source of power in order to run the company and board as they saw fit was the only other area with multiple pieces of text coded against it. For example:

¶14: *"I mean, as you know, you don't have to have a board meeting once an idea starts"*.

The possible use of political power by director by engaging in one-on-one conversations was justified by the board size in Oliver's opinion:

¶24: *"No they were just one on one, you'd talk, remember our board's three people, you talk to one guy"*.

CONFLICT

With one exception, all items coded against conflict in Oliver's interview concerned task (or cognitive) conflict, that is, the type of conflict that relates to the making of decisions, disagreements about solutions, discussion of options et cetera. This included initial divergent task conflict items (generating possibilities and solutions):

¶5: *"Initially there was a lot of discussion whether it was the correct way"*

¶5: *"but it did have initial debate"*

¶28: *"what didn't particularly work maybe well was, initial request to do it was maybe, just assumed it would happen without discussion"*

and then convergent task conflict (arguing to a conclusion) that spoke to the board's ability to come to a decision on which way a problem should be handled:

¶5: *"coming to a unanimous decision because it was a good decision".*

Oliver highlighted the DeltaCo board's desire to discuss issues until a consensus was reached:

¶35: *"so we like to have a unanimous decision and if we don't we try to work to the point where we do have it".*

The exceptional item coded to conflict was Oliver's brief irritation with a director who had introduced the idea of hiving off some IP to a separate company, and had expected the idea to just be approved, which was coded to relationship conflict:

¶28: *"but when things are just so obvious, some people can get ahead of themselves".*

EFFECTIVENESS/COHESIVENESS/TASK PERFORMANCE

In general, Oliver was satisfied by the board of DeltaCo, by his membership of it, and the way that it performed its tasks. He was positive about the board's processes:

¶30: *“we always talk to management”*

¶31: (interviewer) And you said in general all board discussions followed an agenda?

¶31: *“Yes”*

and about its ability to deal with issues that it faces:

¶47: (interviewer) And you're happy with the way that the group goes about solving problems or facing issues?

¶48: *“Yeah, overall, I mean, there's a few bumps on the journey, but overall I am, yes”.*

Oliver was a little more equivocal when it came to the task commitment and performance, and general effectiveness of the board, which seemed to be wrapped up in some difficulties that DeltaCo was having executing against its plan:

¶3: *“we partitioned it to preserve the value there, as opposed to having it complicated with the rest of the company”*

¶46: *“we're looking to address that by bringing on maybe, well certainly one or two more new members, well certainly in that partitioned company, that's to address lacking in the current board of three”*

¶55: *“Um, we set some objectives in the parent company and we gave it good shots at achieving them, some of them we did, others we didn't”.*

In terms of admiration for others on the board, there was no such equivocation. Oliver was admiring of his fellow board members:

¶26: *“well if anything it [the incident under discussion] brought the board a bit closer together, but it's not like we were a distance apart”.*

¶44: (interviewer) and how do you feel about the quality of the people on the board?

¶44: *Oh they're good.*

Oliver also expressed positive feelings about belonging to the DeltaCo board, and believed the other members felt the same way as he did:

¶43: (interviewer) is it a good board to be part of?

¶43: *“Yes it is”*

¶49: (interviewer) and you'd be happy to stay part of the board?

¶49: *“Yes I am”*

¶51: *“because we're on an exciting journey with this new company so I'm pretty sure they feel good about remaining on the board”.*

DECISION MAKING

According to Oliver, board decision-making at DeltaCo was characterised by good processes. The fact that the issue was debated indicated that decision-making was a process inclusive of dissenting opinions:

¶5: *“it did have initial debate”*

¶6: (interviewer) So that’s how the board went about dealing with it, debates?

¶6: *“Correct”*

¶11: (interviewer) Did everybody contribute to this discussion?

¶11: *“Yes”*

¶12: (interviewer) And everybody was listened to you think?

¶12: *“Yes”*

¶30: *“on this particular issue, we talked to management, [...], took on board their feeling”*

Oliver felt that decision-making on this particular board would need to be by consensus due to its small size:

¶32: (interviewer) are all important board decisions based on consensus or do you ever go to a vote?

¶33: *“No it’s been pretty well consensus”*

¶35: *“if you have a decision going two to one, it’s a little bit tough to work it that way even though you can”.*

Even though some decision-making processes during the debate on spinning off technology into a new company were somewhat non-standard, this worked for DeltaCo due to the small size of the board and the care taken in documenting the decisions:

¶14: *“It wasn’t so much meetings, it probably evolved over the course of two board meetings, but there was talk in between”*

¶14: *“once an idea starts it can evolve out off board and be ratified at the board”*

¶16: *“No there was phone conversations and talking and it’s minuted when the decision was finalised”*

¶24: *“No they were just one on one, you’d talk, remember our board’s three people”*

BOARD ROLES AND TASKS

A number of Oliver's comments that were coded to board roles involved strategic change, and the board's function in driving or facilitating this by spinning off a new company:

¶53: *"this new company is into a fairly new direction"*

¶55: *"an example of moving on from non-achievement in the original company, so even though we're going to do well with it, it's also a pivot point for something that didn't go correctly in the original company"*

¶55: *"it's an example of not just sitting around and continually trying the wrong way, it's doing something different".*

Strategic risk was also indicated to be something that the DeltaCo board took seriously, with respect to preserving value in the company:

¶3: *"we partitioned it to preserve the value there"*

¶28: *"shareholder value will be retained in both companies and if it'd all been kept in one you would have been developing a situation whereby part of the company was being undervalued".*

Apart from briefly mentioning the advisory role of the board, Oliver's comments concentrated mainly on the board's role in value preservation and value creation for investors:

¶57: *"you have to be pretty clinical about getting to an exit on the investment and that's what this is all about".*

6.2.4 Case 4 - Kyle and EpsilonCo

Although a little younger than some of the investor directors interviewed (in his 50's), Kyle was a very experienced Angel investor, director, and entrepreneur. He had been a member of more than twenty boards during his career, had invested in nearly thirty companies, and had over twenty years' experience as an entrepreneur. Kyle had a master's level qualification, and was a non-executive director on the board of EpsilonCo, in which he held a 4% stake (at the lower end of the equity stakes of investors interviewed - avg. 11.5%, median 8%). He was also representing other investors from his Angel group.

EpsilonCo was a software development company with a board consisting of four members, including one founder (the CEO) and two other investor representatives. The company was approximately five years old at the time of the incident selected for discussion in the interview. This incident selected was the attempted trade sale of the company to a large Silicon Valley company.

POWER

There was a relatively large amount of text coded to power in Kyle's interview transcript, and covered both sources and uses of power. There were both explicit and implied references to expertise and experience as a source of power:

¶3: *“at that stage I already had 10+ years' experience as an early stage investor as well as entrepreneurial experience, starting and running and selling companies”*

¶3: *“And I kept saying, just a minute, I'm the one who's got the experience”*

¶3: *“the CEO [...], who was still a young man”.*

Other sources of power (for Kyle) included rule-based power:

¶29: *“they refused to put my statement on the record. They're all, we're not going to minute this, I said you have to, it's a board meeting”.*

For those others on the board against him, there was ‘power in numbers’:

¶29: “*we absolutely demand that you take him off the board*”,

and for the CEO/founder, power from access to and control of resources:

¶29: “*the entrepreneur said ‘oh no that’s not a problem, I’ve already cleared it with that company’*” [regarding challenges to patents, which were overturned].

One source of power that had not been evident in the previous transcripts, but played a role in the dynamics on the board of EpsilonCo was power of non-cooperation (where power could be drawn from lying, dissembling, from evading, avoiding, or obfuscating the truth, or from refusal to co-operate). Kyle was fairly blunt in recounting some episodes where this source of power was used by the CEO/founder:

¶25: “[...] *if they had been willing to open their eyes, was that the CEO was lying to all of us about all sorts of stuff*”.

The use of political power figured large in Kyle’s account; political manoeuvring was employed by the founder, by others on the board, and by Kyle and other investors in the syndicate that he represented:

¶3: “*so he then became the executive chairman and was allocated an extra chunk of equity to compensate him for doing this extra bit of work*”

¶13: “[reporting the CEO’s conversation] *well I really believe you Kyle but the other guys are putting pressure on me to do this*”

¶29: “*what I’m going to do is I’m going to start confronting them with all the bad stuff they don’t want to hear, [...] and sooner rather than later, they’re going to come to you and demand that you take me off the board, at which point one of you has to step up and take it*”

¶29: “*So it was a bad cop good cop play, by design*”

¶29: “*but he was their pick that was part of our strategy*” [regarding the appointment of an independent director].

The CEO/founder also made several attempts to influence others by means of appeals to sympathy or empathy, which is similar, but not identical to, using politics.

CONFLICT

Despite recounting many episodes and types of conflict, Kyle said very little about any emotional response to it, with the exception of labelling the board as ‘toxic’ and the environment as stressful. This is despite evidence of a great deal of relationship conflict on the EpsilonCo board. This ranged from Kyle’s animosity toward the Chair:

¶3: *“it’s a lesson to be learned, never let a lawyer on a board”*,

to somewhat spiteful exchanges around the awarding of bonus equity:

¶5: *everyone said well that’s not fair, you’re an investor, you shouldn’t get anymore, and I said well so is he.*

There also seemed to be conflict between Kyle and the CEO around the latter’s trustworthiness:

¶13: *“the entrepreneur was clearly playing people off against each other”*

¶13: *“I have every, in fact I have evidence to prove that he was saying exactly the same thing to each of the others”*,

as well as many mentions of relationship conflict between Kyle and the other members of the EpsilonCo board:

¶13: *“you just don’t understand how business is done”*

¶29: *“in the course of this first six months, I went from having a very cordial and collegiate relationship with the other board members to having a very fractious one”*

¶29: *“[reporting the board’s opinion of Kyle] ‘he’s destructive’”*.

Some of this relationship conflict could have been related to the power driven conflict evident on this board, such as process conflict (who does what):

¶3: *“that led to having the CEO, who’s actually still quite young and inexperienced, negotiating terms, which I advised against”*

¶3: *“the CEO should not be negotiating the execution, the exit negotiations”*

¶3: *“but then they said well clearly we should get the guy who was a lawyer to go and negotiate the deal”*.

Much of the task conflict coded against Kyle’s interview text was of the divergent sort, that is, disagreements and differing views about how to accomplish tasks:

¶17: *“an item, by the way, I strongly resisted”*

¶17: *“[...] asked for a period of exclusivity and again I said no”*.

The majority of this type of task conflict seemed to pit Kyle against the rest of the board:

¶3: *“they kept telling me, ‘Kyle you don’t get it, this is what we have to do’”*

¶3: *“and I’m telling you this is what we have to do”*

¶15: (interviewer) How many formal meetings did it take to resolve?

¶17: *“Resolve is probably not the right word”*.

The convergent type of task conflict, discussing to come to a decision or resolution seems to have been artificially engineered (and resisted by him and a new director) in many cases according to Kyle’s account:

¶3: *“the lawyer guy kept insisting that every board decision had to be reported as a 100% consensus”*

¶13: *“with the lawyer pushing, everybody keep saying yes to everything so it would all be reported as 100% consensus, which meant that when we’re having the actual board meetings, it was very difficult to have discussions”*

¶29: *“one of the first things he [newly appointed independent director] said was, ‘what do you mean you expect everybody to make a unanimous vote it’s a board meeting. People have to express their views and you have to record their views’”*

¶33: *“generally it really wasn’t about opposition per se it was more about making the record show that we considered this and this and this”*.

There was evidence of more extreme conflict (involving lawsuits) that arose between Kyle and a consultant hired by the CEO/founder and fired by the board, but this was only indirectly between members of the board (it may have had an element of conflict by proxy).

EFFECTIVENESS/COHESIVENESS/TASK PERFORMANCE

Kyle did not have a very positive view of the EpsilonCo board's effectiveness, cohesiveness, or ability to perform tasks. Early on in his tenure, he attributed this mainly to a lack of experience of the directors, and a lack of the skills on the part of the rest of the board.

¶13: *"For both of them, their investor groups, this was the first early stage company they'd invested in"*

¶58: *"I think the family office guy [...], he really didn't feel he knew anything about the business, the industry, the stage of business"*.

Kyle's opinion of their background and skills, initially described by him as

¶50: *"not unusual in that circumstance"*,

was also then combined with a distinct lack of admiration for his fellow directors, and directors from a corporate background in general:

¶13: *"the entrepreneur [CEO] was clearly playing people off against each other"*

¶50: *"I had the impression that he ought to be competent, I didn't expect him to know much about how to invest in an early stage company but I did expect him to know how to run a board" [about the current Chair]*

¶50: *"corporate directors don't have a clue how to run a startup" [...] he had not actually created any positive governance" [about the previous Chair].*

Kyle did not display any pride in being a member of this board, nor did he express any thoughts that indicated that he felt any sense of belonging with respect to the EpsilonCo board at all. Rather he felt it to be a very stressful environment. He did, however comment that the EpsilonCo board did not want him to remain a member of it:

¶29: *"[reporting the other directors' demands to the Angel syndicate that Kyle represented] 'we absolutely demand that you take him off the board'"*

The other members of the board had more equivocal feelings about being part of the EpsilonCo board in Kyle's view:

¶58: *“I think in the beginning they were all happy to be there”*

¶58: *“the family office guy saw it as a bit of an automatic obligation”*

¶58: *“The lapsed lawyer I think saw this as an opportunity for personal aggrandisement; I think he invested a lot of ego in this board”*

¶58: *“the CEO saw it as a necessary evil”.*

In terms of the performance of its functions, Kyle felt that the EpsilonCo board had some bad processes, such as the tendency to discuss issues outside of the board:

¶9: *“one of the things I didn’t like about that board is that a lot of that was one-on-one conversations”,*

And one bad board process that derived from the Chair’s insistence that all decisions needed to be recorded as unanimous:

¶13: *“everybody keep saying yes to everything so it would all be reported as 100% consensus, which meant that when we’re having the actual board meetings, it was very difficult to have discussions”.*

Kyle was frustrated by what he thought were bad processes, and inexperienced and unskilled directors, all of which added up to an ineffective board that he felt no pride in, or sense of belonging toward. The following comment from Kyle summarized his views on the EpsilonCo board:

¶61: *“It was completely dysfunctional, its ability to be effective was, very quickly apparent that it could not be effective”.*

DECISION MAKING

Kyle had many negative things to say about the way that EpsilonCo’s board made decisions during his tenure on the board. The fact that the board had initially decided to have the inexperienced founder negotiate sale terms with a much larger international company, and that the Chair took advice from friends perceived by Kyle to have much less experience than he did, were examples that indicated broken decision-making processes to him:

¶3: *“the CEO, who’s actually still quite young and inexperienced, negotiating terms, which I advised against”*

¶17: *“no I’ve spoken to my friends, they tell me that’s not the way it gets done”*.

Kyle also felt that the meeting norms enforced by the Chair, and the manner in which board meetings were held, were also unhelpful to decision-making by this board:

¶3: *“And the lawyer guy kept insisting that every board decision had to be reported as a 100% consensus”*

¶13: *“So most of our board meetings were on the telephone, which is not a successful recipe”*

¶13: *“people would have these one on one discussions”*.

After he had been replaced by another Angel investor in the syndicate on the board of EpsilonCo, Kyle saw some improvements made to these shortcomings with the appointment of an independent (non-investor) director who was able to change the decision-making culture to be more formal and considered, but still consensus-based:

¶29: *“he did manage to convince them to bring on a third party so to speak, to bring on an independent director onto the board, and that had a very salutatory effect on the others”*

¶33: *“Well, it was still a consensus model, because boards, particularly for an early stage company boards have to be a consensus model, if you have to vote, you have problems”*.

Dissent in decision-making was not well tolerated on the board of EpsilonCo, a fact reflected in the requirement by the Chair to always record unanimous agreement against all board decisions, and the seemingly adversarial nature of decision-making processes.

¶17: *“... oh Kyle you just don’t understand how business is done”*.

BOARD ROLES AND TASKS

Although present to some extent in the transcripts of some other cases, EpsilonCo's board was explicitly representative in nature, and this seemed to be important in the way that it functioned, and in the way that Kyle perceived other directors:

¶3: *"he [the Chair] was leading an investment syndicate, so he was there representing them"*

¶3: *"[the lawyer was] representing a family office".*

Kyle was in fact also a representative director, in his case representing a syndicate of Angel investors from a formal Angel group.

Strategic change was the intention of Kyle's Angel syndicate from the beginning of their involvement with EpsilonCo:

¶3: *"when we invested, we actually invested in an exit strategy for this particular company"*

and the board's role in overseeing this strategic change was an important one, and was the focus of much of their control and monitoring role:

¶3: *"we should assign someone from the board to actually lead the negotiations"*

¶3: *"they said well clearly we should get the guy who was a lawyer to go and negotiate the deal"*

as well as their resource acquisition role at EpsilonCo:

¶3: *"So within three months of us agreeing to invest, we, that is the angel investors who were involved, had actually helped the company generate an exit deal with the world's number one company for what they did, a big multi-billion dollar exit".*

¶17: *"We did subsequently get the number two company in the world, also another Silicon Valley company to come to the table and do due diligence".*

Kyle believed that previous Chair of EpsilonCo had failed to lay the groundwork for the board to effectively perform its control, risk, and monitoring roles, despite being an experienced Chair, due to the different resource context of early stage companies:

¶50: *"The meetings he [previous Chair] had run I'm sure were all great meetings but he had not actually created any positive governance in that company at all because there was none of the*

resources he was used to working with. So what he really left behind was not a vacuum, but there really wasn't any legacy".

6.2.5 Case 5 - Milo and KappaCo

Milo was a director in his 60s, who while having fourteen years of board experience, had served on significantly fewer boards (at three) than the average for all interviewees, which stood at approximately seventeen. He still served as a director on two of those three boards, had eight or nine current Angel investments, and had a background of many years as an entrepreneur. He also had experience as a technologist, and a postgraduate education. Milo was an active member of a formal Angel group, and held a 14% stake in KappaCo.

The board consisted of five directors, of which two or three were investors (in addition to Milo) at various times, and one or two were founders. The incident that Milo chose to discuss was KappaCo running out of cash, and the board's response to that.

POWER

Milo's responses highlighted the rule-based and expertise based sources of power. Rules in this case were those informal rules around who was included in or excluded from the discussion:

¶35: (interviewer) And were they between particular subsets of directors? Or everybody involved? Or..

¶36: *"No, mostly the chairman and the CEO, working through the details"*

¶62: (interviewer) Did the board include the wider management in its thinking about what needs to happen? Staff shedding etc.?

¶63: *"Not really. No. The CEO was all we really needed for these decisions"*

The depth of experience and comparative level of experience and expertise compared to other directors of the Chair of KappaCo was recognized by Milo to be a source of power for the Chair:

¶8: *"chairman of the board I guess led the plans in each case"*

¶36: *"The chairman was a finance guy, he had a lot of input on uh how to manage the money and stuff like that"*

¶82: (interviewer) the chair was a financial expert, so you think that he possibly had more sway because of that in these decisions? Because of expertise?

¶83: “Ah, yes. Yes, yeah”.

The lack of expertise and contribution of one of the directors (labelled the ‘Empty Chair’ by Milo) seemed to appear to Milo to map to a lack of power in the board room for that director during this incident:

¶24: “There were really only two of us, that is the Chairman and myself that were driving this”

¶106: (interviewer) Empty chair because they didn’t actually turn up or because they weren’t mentally turned up?

¶107: “Just didn’t have anything to contribute...”.

Milo viewed himself as not being a user of political power, although he characterised this as being about numbers rather than political skill:

¶113: “Yeah, I’m not a political player so I wasn’t... I wasn’t counting numbers or whatever”.

Milo seemed to be keenly aware of greater numbers being a potential and actual source of power however, in particular when the numbers were aligned in opposition to him:

¶109: “But of course if it ever came to a vote that would certainly be a factor” [the ‘empty chair’ director being on the board]

¶131: “and I argued against it, was outvoted”

Despite the Chair have the power of expertise and experience to draw upon, there were elements of shared power on KappaCo’s board evident in Milo’s characterisation of it. All meetings had an agenda, and all directors had the opportunity to contribute to setting to the agenda.

CONFLICT

Some of the task conflict coded in Milo’s interview transcript seemed also to have a power component, where the outcome was a forgone conclusion due to the power imbalance between the parties involved:

¶22: “So he [CEO] had a divergence of views and had to be persuaded that he needed to be paid a bit less for a while...”

¶24: “So once we agreed, eh, the chairman persuaded the CEO that he ought to agree as well”

Other task conflict in evidence ranged from disagreements about the vision for KappaCo:

¶150: *“we had a major falling out with the board as result of which I left”*,

to the basis on which a new shareholder would be admitted to the board, and several other major issues, all of which appeared to have a financial element:

¶131: *“I thought that paying a full bonus was the wrong thing to do”*

¶135: *“I wanted to focus on selling the company and I wasn’t able to persuade the others”*

¶147: *“the others were happy to just take the dividends and carry on and I didn’t want to so we had a serious divergence of opinion on that subject”*.

Relationship conflict was also in evidence on KappaCo’s board. Much of this involved Milo and the company’s CEO, and seemed to be based on personal dislike rather than the way the CEO did his job:

¶136: *“I didn’t get on that well with the CEO”*

¶138: *“I still think he was the best guy for the job, but I just didn’t like him”*

¶159: *“I still don’t like him”*.

Milo’s desire to be diligent in his research about the problem was also a cause of tension on the board, and contributed to a general increase in relationship conflict:

¶154: *“Um, so this is a case where the stresses and tensions built up over time and got worse over time”*,

until, as Milo reiterated:

¶151: *“we had a serious falling out”*.

The falling out at this point in the interview was painted as more than simply conflict over vision, rather seemed to be relationship related, and contained elements of perceptions of dishonesty and a breakdown in trust:

¶153: *“things that were said that were not true”*.

EFFECTIVENESS/COHESIVENESS/TASK PERFORMANCE

During the first few years of Milo serving on KappaCo's board, he was in the main very admiring of the other directors. Despite some personal enmity, this included qualified admiration of the CEO:

¶36: *"I didn't get on that well with the CEO. I had a lot of respect for his abilities".*

Milo also admired the Chair and his contribution to the company, as well as the board as a whole:

¶54: *"And I'd have to say that for about five years the board worked effectively as a board should and did what a board should do and it's almost a copybook success thing"*

¶120: (interviewer) You sound as though you have some respect for the Chair, and for some of the abilities of the CEO...

¶121: *"Oh yes! Look if they hadn't had the skills they had the business wouldn't have succeeded in the way it did".*

This admiration did not extend to all individual directors however:

¶99: *"Yeah, although you very rapidly learn things about your board members, and sort of think "oh dear". Well we had one board member that I referred to as the empty chair",*

and Milo made his feelings plain about this director:

¶124: (interviewer) You wouldn't want to serve on another board with them?

¶125: *No. No.*

Milo felt that the board processes at KappaCo were good and he was happy with the way that the board tracked the finances of the company and intervened when their level of comfort dropped below a certain level. Milo was also comfortable that KappaCo's board performed the tasks it set itself quite well:

¶8: *"we devised some plans and executed those plans and they worked pretty much"*

¶12: *"we had a series of board meetings at which the financial state of the business was tracked closely and then we had one board meeting at which it was kind of 'we are going to have to do something about this' and the next board meeting there were some proposals on the table which we discussed, adopted and implemented"*

¶145: *"This was a board that was reasonably effective".*

At least some of Milo's level of comfort with the way the board performed seemed to be due to the skills and experience that the Chair (strategic finance) and the CEO (operational) brought to the table:

¶83: “[the CEO...] he could manage the monthly...”

¶84: (interviewer) Operational?

¶85: “...operational expenditures very well indeed”.

Milo certainly seemed to have a level of pride in belonging to KappaCo’s board, for most of the time at least, stemming apparently from the business-like way that it performed its role:

¶26: “I mean it was hard work at the time, but it wasn’t, it wasn’t stressful for the board”

¶54: “I thought “hey this board stuff is easy, this is the way it’s supposed to work” and you know, great”.

Milo was consistently hesitant in ascribing motivations to other people, or in claiming any insight in to the way that others on the board felt about their experiences at KappaCo, but when pressed he did suggest that they too may have felt a sense of belonging:

¶126: (interviewer) you were committed to the task at hand, do you think the other group members were equally as committed?

¶127: “Um... Yees, I think so, hard to tell”

¶137: “I don’t claim a lot of insight into the way other people view things. It’s... I would expect that they would have found it to be, ah, interesting, fun, potentially profitable...”

¶138: (interviewer) Not necessarily enjoy, but they felt that it was a worthwhile thing.

¶139: “I assume so”

DECISION MAKING

Much of Milo’s commentary about decision-making on KappaCo’s board mapped to what are generally considered to be good processes. He reported that the board tracked issues, and acted where necessary after discussing options. Decisions were then duly implemented by management:

¶18: “And, and uh we had to um, very rapidly take some corrective measures”

¶25: “then it was really just a matter of implementing the plan of shedding staff, cutting overheads and making some sales and such like”.

Milo reported that although most decisions on KappaCo's board were usually consensus based, there were occasionally votes. He gave the impression that he was may have been on the minority side of these:

¶72: (interviewer) "Did it ever come to a vote?"

¶73: "Yes. [several seconds of silence] And... yeah".

BOARD ROLES AND TASKS

The board's role in resource acquisition was most evident in Milo's interview, with a majority of the items coded to board roles concerning the advisory role that KappaCo's board played:

¶86: (interviewer) And so that that part of the advisory function [Chair's finance advice] was particularly important to this CEO?

¶87: "Yes, oh yes"

¶87: "he had skills from the board that...took advantage of his very um very significant skills in sales".

At times the advisory role morphed into the board straying into a management role, although this may have been restricted to the Chairs activities, and could also be seen as a particularly close control and monitoring relationship:

¶90: (interviewer) an extension of the management team at times? Rather than just a board? Or not so much?

¶91: "Not really so much, a bit, I mean..."

¶93: "I think the Chairman supervised the bookkeeper somewhat to make sure that the books were prepared correctly. So, that's kind of a COO or CFO role, so maybe the Chairman acted a bit in the CFO role to some extent before we actually got to the point where we could hire a CFO".

Milo also saw the board's role as one of ensuring the right values messages were communicated to the rest of KappaCo:

¶131: "I thought that paying a full bonus was the wrong thing to do [in a tight financial environment]"

¶132: (interviewer) Sending the wrong message?

¶133: "Yup".

One interesting aspect of Milo's reporting of the advisory role that the board played for the management of KappaCo was that he himself felt that he needed some outside advice, and was unable to obtain this easily:

¶153: *"I didn't really have any, any, advisors, people I could go to help me to understand what was going on".*

6.2.5 Case 5 - Charles and RhoCo

Charles was aged in his sixties, had a postgraduate education, and more than thirty years of entrepreneurial experience. Although he had served on considerably more than twenty boards over his career, and had three current Angel investments at the time of interview, he was not a current director of any company not wholly owned by him. In this he was an outlier, as well as the fact that he was one of only two interviewees who were not members of a formal Angel group. The other distinguishing characteristic of Charles' case was that he was the non-executive Chair of the company that he chose to describe.

Charles owned an approximately 25% stake in RhoCo, which was a company that had been operating for a handful of years in the energy sector. The CEO of RhoCo was one of the founders of the company, and one other investor besides Charles sat on the board of three directors. The incident that Charles chose to discuss was bringing a new investor into the company, and onto the board, of RhoCo. This occurred after the company had experienced some cash serious issues, and the current investors had been unwilling to increase the amount of their investment.

POWER

The coding of text elements to power nodes in this case was interesting in the sense that many sentences or sub-paragraphs could be coded to multiple nodes in the set. An example was that the Chair (Charles) controlled the agenda, a rule-based source of power:

¶67: (interviewer) And did all directors get to contribute items to the agenda?

¶68: *"To be honest the chairman who was me, set the agenda and circulated it in advance and never once did anyone seek to add anything"*,

but in that same segment of text, there was also an indication of shared power for others to initiate discussions beyond the agenda, with the proviso that it required the Chair's permission:

¶68: *"if discussion came up of anything that was beyond the scope of the agenda, I permitted it"*.

Another example of a source of power that was rule-based were the governance controls that the board insisted on for raising further capital that reserved greater power for itself in future, particularly around finances:

¶5: *“the terms of this capital raise required that the board have absolute control over financial matters especially”*.

This segment was also coded to the use of political power, as the founders had at that time a majority ownership stake, and the board seized the opportunity to provide themselves with another source of power.

Power from access to resources was also coded several times in Charles’ interview transcript. At times this power source was available to Charles due to his network:

¶3: *“I brought in an outside consultant to take a look at the business”*

¶3: *“that I had to go out and find one more external investor who would also join the board”*,

and at times was available to other larger organizations in their dealings with RhoCo.

Another section of text that was coded to more than one node was Charles’ description of the task of convincing the founder that new investment was needed under the terms that the board required, and that he would need to give up some control:

¶12: *“but it was clear that the new money wasn’t coming in if he didn’t agree to it so...”*.

This was an example of the ‘power in numbers’, but also of the use of political power to obtain a result. The earlier part of the above paragraph was coded to coercive power:

¶12: *“I would say that we browbeat the founder”*.

Charles was an experienced director, and there were a number of text segments coded to experience and expertise as a source of power in his interview transcript:

¶76: *“Yes, but, so I wasn’t an official representative [of other Angel investors], but as a very experienced, both private and public company director, I know what my duty was”*

¶78: *“the fact is that one has to be a mentor [to the CEO], one has to offer enough guidance”*.

The new investor and director that Charles brought into the company (and with whom Charles had previously served on a board) also seemed to Charles to be able to use his experience as a power source:

¶89: *“the new investor that I brought on had been a director on other boards that I’d been on and was really great for probity governance things, not that I was not”*.

Other aspects of power mentioned by Charles included the power that founders and associated parties often had in startup organizations due to their controlling ownership interest (‘power in numbers’), and as seen in the results in Cases 4, the power of non-cooperation; again wielded by the CEO in this case:

¶92: *“he refused, in an open board meeting [...] and really went off”*.

CONFLICT

Charles made a point of the generative, non-affective, decision orientation to conflict in his interview.

Discussions at board level were had, and options canvassed:

¶23: (interviewer) Were there any other competing suggestions on the way forward, or just the one really?

¶24: *“Just the one really, all the other, which we canvassed, certainly was to pull up stakes/stumps”*

¶29: (interviewer) just talked it around and around until it was obvious that there was no other option?

¶30: *“The latter, what you just said”*.

Convergent task conflict was also in evidence, although this was not always allowed to run its course:

¶71: *“when anything was really polarising we split the difference and deferred because we all have to get along”*.

Later in the life of the board, there seemed to be more entrenched positions, with a faultline between the investor directors and the founder forming, particularly over compensation:

¶71: *“it started coming down to votes, 2-1 votes as you can imagine”*

¶92: *“CEO made what the other director and I thought were excessive compensation demands”*

¶92: *“we tried to address those in a very rational way”*.

There was little evidence in his interview of strong emotional response to conflict from Charles, however there were mentions of weariness in dealing with it on an ongoing basis:

¶78: *“even though it’s all in total positive, fighting gets old”*,

as well as an amount of frustration with the amount of relationship and cognitive conflict between himself and the founder/CEO:

¶78: *“Because, there’s only so much head-butting you can do with a founder executive”*

¶89: *“but you need help if you’re banging heads on that front all the time”*

¶95: *“after a while the dog ate my homework doesn’t cut it”*.

Some of the power conflict on the board of RhoCo seemed to be driven by power, both between investor directors and between investors and the founder:

¶9: *“when they [other investors] refused to contribute to that, I insisted and I made sure that the new investor insisted, that they step down from a board seat”*

¶12: *“we met about it for hours and we didn’t put a gun to his [founder] head”*

¶59: *“one can agree to something, but if you agree to something with the metaphorical gun to your head, how much do you really agree to it”*.

Finally, a perception of malfeasance on the part of RhoCo’s executive led to feelings of personal enmity and gave conflict a relational aspect:

¶59: *“[a board member] relies on the integrity of company’s records to make its decisions [...], that turned out not to be the case, so false documents, false records and withholding of information”*.

EFFECTIVENESS/COHESIVENESS/TASK PERFORMANCE

Charles’ view of the others on the board of RhoCo, and of its effectiveness changed over time. Initially he admired the other members of the group as individuals and as a board:

¶86: *“I really liked the founder CEO”*

¶86: “[...] was really knowledgeable of the industry”

¶98: “Well strategically I think the board pretty much got it spot on and I think was ahead of the curve”.

This admiration turned to dislike and disapproval later in Charles’ board service due to actions on the part of others (chiefly the founder/CEO) that rankled:

¶91: (interviewer) so what changed there in terms of your feelings about being part of that group?

¶92: “Ugh, the issue that came up revolved around the CEO’s compensation and the CEO made what the other director and I thought were excessive compensation demands”

¶92: “Basically I knew he was a lost cause”.

Despite his growing disapproval, Charles continued to be proud of his own participation as a member of RhoCo’s board, even when this was problematic:

¶76: “I always sought to act in the interests of all shareholders, sadly then when it was against my own self-interest”

¶78: “My personal interactions on the board were outcome determinative and positive”

¶81: “The first five years I felt great ‘cause I could see growth, we were able to get over the one or two crises [...], I felt good until I didn’t”

According to Charles, he and the rest of the board definitely felt a sense of belonging with respect to the board of Rho Co, though again, more so in the earlier years:

¶83: (interviewer) you were happy to be part of it for those first few years?

¶84: “Yes”

¶95: “Everyone was positive, everyone had positive and high expectations, they became diminished a couple of times”

¶100: “I felt very good for the first five years. I think that that good feeling was justified, amazing that we survived, amazing that we were making money with good reason for hope”

This feeling of belonging became an adversarial relationship during the process of determining how and under what conditions a new investor and director would be brought into RhoCo:

¶38: “I think it sowed the seeds of permanent division”.

¶41: [between] “The new director and myself compared to the CEO Director. It sowed the seeds for us versus them so to speak”.

Again, with a change over time, Charles believed that the board was able to make good decisions, was committed to its tasks, performed those tasks well, and had reasonably good board processes with which to achieve its aims:

¶3: *“I brought in an outside consultant to take a look at the business, to figure out how best to handle the cash crisis, to counsel and mentor the CEO”*

¶5: *“the board adopted rigorous governance controls that had not previously existed”*

¶89: *“we could work together well in trying to have an effective and positive way of dealing with the divisive issues”*.

DECISION MAKING

Roughly equal quantities of text in Charles’ interview transcript were coded to what is considered good board decision-making process and to bad decision-making process. All board members were able to contribute to the discussion around bringing in a new investor, and decision-making included the relevant parties. Issues for decision were circulated in advance to allow board members to prepare themselves:

¶19: *“By email in advance we talked about what we were going to discuss and we discussed the terms and conditions for new investment”*

¶21: (interviewer) And did all get to contribute to these discussion points and say this is what we’d like to discuss?

¶22: *“Absolutely. Although they weren’t, it wasn’t contentious what we were going to discuss only maybe the resolution of”*.

Charles found the actual decision-making process on RhoCo’s board at the time of this incident to be effective and generative:

¶56: *“What worked well in the decision making process was clarity, so thinking through all the possible scenarios that could eventuate, identifying the consequences of those, positive and negative, and expressing those with clarity so that the best informed decision making as to what we’d adopt, could occur”*.

However, not all decision-making by RhoCo’s board was felt by Charles to be of such quality. Some other decisions were made in a somewhat oppressive manner:

¶59: “one can agree to something, but if you agree to something with the metaphorical gun to your head...”

involved side-bar conversations:

¶34: “but we met for coffee for a couple of hours to really sort it all out”,

or were made on the basis of unreliable information:

¶59: “ultimately, any board member, independent board member or non-executive board member, relies on the integrity of company’s records to make its decisions and when push came to shove down the track, that turned out not to be the case”.

BOARD ROLES AND TASKS

Although the board of RhoCo was involved in the control and monitoring role, especially around the time of the incident described by Charles:

¶5: “the board adopted rigorous governance controls that had not previously existed”,

this control role turned out to not be quite as rigorous as required later in the narrative. In fact, Charles agreed with the notion that control and monitoring is not the forte of most startup boards, and that this is an inherent issue for this type of board:

¶103: “I think that’s where the greatest weakness is and particularly when you have angel investors as opposed to a significant venture investor who basically, with the terms of its investment, puts such financial controls and systems in place that the monitoring is a lot easier, in fact it becomes draconian, so you have that problem, but yes, I do think it’s inherent”

RhoCo’s board also engaged with its strategic role. This included strategy-making, and addressing strategic change:

¶98: [the board] “I think was ahead of the curve, cause as you know, strategy changes as conditions change and technology changes and new competitors arise etc.”.

In part, the board’s strategic role also blended into its service role by providing strategic advice to management. The board also provided mentoring to the executives in this role. Charles also felt that the

RhoCo board was strong in its resource acquisition role, both in finding an external investor for the company:

¶3: *“I had to go out and find one more external investor who would also join the board”*,

And in helping the company hire additional executives:

¶81: *“we were able to recruit and deploy some really good executives who had the capacity management, had the capacity to take the company to the stage it needed to be”*.

6.2.7 Case 7 - Will and TauCo

Will was the youngest of the research participants, under the age of forty, but was very experienced in the business of early stage companies and in the innovation sector in general. Will also differed from the other Angel investors interviewed for this research in that he was a current member of many boards (10+) as an investor, as well as of companies that he controlled. Similarly, he stood out from the other investors in the study because of the number of current venture investments in his portfolio (greater than twenty, approximately double the next highest), and in the total number of venture investments over his career, which was more than sixty.

Although fitting the definition of an Angel investor, Will did not identify as such, as was not affiliated with any formal Angel group. He was the only investor interviewed who could be considered a ‘professional Angel’ or perhaps a ‘micro-VC’ as he also invested funds on behalf of others. Will had some professional experience and a postgraduate qualification, and several years of entrepreneurial experience in addition to approximately eight years serving on boards.

TauCo was a high-technology hardware company, in which Will held a 20% stake. Its board consisted of five directors, of whom one was a founder, and three were investors. The founder of TauCo was the CTO. The incident that Will selected to discuss was the removal of general management responsibilities from the founder (and inventor of the technology) of TauCo.

POWER

An interesting feature of Will’s interview was the power source of non-cooperation available to the founder of TauCo, and the willingness of that person to use this power. This non-cooperation could be either active in form, illustrated by the founder attempting to undermine the credibility of a professional manager hired to help him (a hiring that he had agreed to):

¶11: *“to then effectively try and attack them and suggest that they weren’t actually uh a professional manager or able to actually do the business”*

Or take a more passive form, such as not being willing to even engage in certain areas of discussion or ‘revising’ his agreement to a particular course of action:

¶31: *[regarding which conversations were even possible] “essentially the openness of the inventor to sort of, you know, engage around particular topics with particular people”*

¶47: *“sort of that discussion um then comes back after the fact and tries to recant”*.

Will’s account also featured a number of items coded to shared power, including not only access to agenda setting but also shared leadership on various issues of interest to the board:

¶66: (interviewer) And do all directors get to contribute items to the agenda to be discussed or is it typically the Chair?

¶67: *“No, essentially there is always an opportunity for other business to be both either tabled and set, or agendum to be actually forwarded and disseminated in advance”*

¶68: (interviewer) So leadership on any particular issue may depend upon...

¶69: *“May vary, may vary depending upon the, I guess the individual board member”*.

Expertise and experience as a power source also featured strongly in Will’s descriptions of TauCo’s board. The business and management experience and expertise of other board members was contrasted on a number of occasions with the founder/inventor’s inability to draw on this source of power, although he derived power (a ‘seat at the table’ for example) from his technical knowledge:

¶62: *“which was pretty much the board the board becoming a quasi-executive as a board”*

¶62: *“In order to drive it forward and guide it forward”*

¶64: *“the inventor couldn’t be left to be responsible for managerial um responsibilities”*.

Also of interest is the fact that the founder may be seeking to match the power source of experience and expertise available to other directors on the board by appointing an outsider to represent him on the board:

¶55: *“that individual has now sought to get a third party to help them as an alternate director, rather than representing themselves and their own significant interest on the board”*,

which the founder was able to do because he had access to the ‘power in numbers’ source due to his large shareholding in TauCo:

¶11: *the inventor although still maintaining a fairly large shareholding or even could be close to a majority shareholding*

Power from access to resources, both economic and other, was also deployed on TauCo’s board, by the investor directors:

¶43: *“I guess the experience and ah, I guess networks of those who were on the board we tended to have pretty good access to what’s required”*

¶11: *“it’s not just simply the people in the business but there is a balance that sometimes does need to be struck as to the fact that they’re investors, and the investors’ money being represented”*

¶13: *“Yeah, so I guess it’s the, um, hard money investors, or investors representing, or with fiduciary responsibilities via funds, um tended to be the more prominent in the, in pushing for the resolutions that were required”.*

Power deriving from rules was only coded once in Will’s interview transcript, and the use of political power was mostly obliquely referred to, with a few exceptions. The transcript also contained one item coded to the use of coercive power, and that was more implied than explicit:

¶11: *“that’s not to say that there isn’t you know instances where there’s had to be application of tough love in order to essentially enable the business to move forward”.*

CONFLICT

TauCo’s founder and his emotive, almost grief stricken, responses to the attempt by the board to move general management responsibilities away from him feature prominently in the items tagged to conflict in Will’s interview transcript:

¶5: *“They... they’ve exhibited behaviours at all levels I suppose you could say. I guess it’s almost like a grief cycle in that essentially initially that was sort of disbelief”*

¶11: *“but then felt threatened and demonstrated all aspects of rejection of them [professional manager], and effectively sought to, I s’pose first of all became almost reclusive from them and shut them out, to then effectively try and attack them”*

There was also evidence of relationship based conflict between the board and founder, particularly around the founder’s emotional responses and the effect this had on others in the organization, up to and including causing them to leave the company:

¶39: *“Look I think that it um highlighted some self-destructive um characteristics. Within the... and behaviours, self-destructive, self-defeating behaviours which really impacted team dynamics”*

¶39: *“the reasons for departure were effectively it’s like ‘believe in the technology, believe in the potential, can’t persist with the current organizational dynamics, team dynamics’”.*

Some of the conflict around solutions (task conflict) evident in Will's transcript seemed to arise due to the different interpretations of what was agreed or even discussed by the various parties:

¶49: "*[Will reporting founder's speech] 'oh no, we didn't, this was not what was meant' or 'I didn't understand that was how it was'*",

while other task conflict seemed to be due to genuine difference of opinion, Will seeing this as a positive:

¶78: "*obviously been decisions made where people were um... had different opinions*"

¶78: "*just because there is difference of opinions, that's actually demonstrating that there is diversity of skills, strengths, experience, networks*".

He reported that while there was consensus much of the time, this was not always the case:

¶82: "*they would have tended to be more the major decisions where you would have dissonance perhaps rather than consensus*".

EFFECTIVENESS/COHESIVENESS/TASK PERFORMANCE

Will's transcript was coded for a number of processes that are considered to be good practice. The board of TauCo was reported to operate on a generally collegial basis, with all directors having the opportunity to contribute their thoughts:

¶11: "*so I think that the board's always tried to navigate through on a fairly sort of collegial basis*"

¶45: "*everyone had across the board the opportunity to um contribute, and um it was heard, um then somewhat debated to an extent and then executed upon*".

Even where the board process was not best practice, they resulted in good outcomes:

¶28: "*then there was also quite a lot of more informal meetings and probably not the full cohort of the board engaging between one another, in order to navigate successfully to where the business currently exists*",

and Will felt that the board was generally effective in ensuring the continued existence of the company through its efforts, expressed on occasion by way of nautical metaphor:

¶76: "*so it has been about righting the ship*"

¶76: "*albeit perhaps a slow course forward, but maintain its course*"

¶126: "*it's demonstrated itself to be an effective board and I guess you know, in both, you know in times of abundance and in times of little*".

This effectiveness was expressed both in terms of doing its tasks well, and in terms of being committed to its tasks, expressed in multiple places in the transcript by Will as persistence by individuals and the board as a whole:

¶37: *“I think that I guess the tenure and endurance of the board has been demonstrated fairly resolutely or resoundingly – um – in that we haven’t had really any change of board membership across that lifecycle”*

¶112: *“And it sort of demonstrates I suppose, that you know most of, there is no such thing as the overnight success, umm. This might be the seven year overnight success or the twenty year overnight success, umm, in this case”*

Coding for the interpersonal sub-themes included very little in the way of pride in himself as part of the board, but did include several sections coded to Will’s admiration of others on the board:

¶110: *“Look, I think that there’s challenging individuals, umm, you know, on the board, including the inventor, but on the whole it’s been, I’ve enjoyed working with the people because we’ve been able to still, despite significant challenges, and more than one, more than one period of challenge, persist”.*

Items coded to a sense of belonging for Will personal were rather more equivocal, tending to the negative when asked about how he thought the other board members felt about belonging to the TauCo board:

¶107: (interviewer) And so you’re still happy to be part of that board?

¶108: *“Oh look I think that ahh at the right time, once effectively the business gets to a point where it is, ahh, you know has a line of sight to commercialization and a direct product, um is probably a right time for me to step off that particular board”*

¶117: (interviewer) How do you think others, the others on the board feel about being part of this board?

¶118: *“Ah, I think they would probably share the um, you know, uh, that at times it is a burden”*

¶118: *“at times this board, board requires an inordinate, um, ahhh, you know level of, of attention and support and resourcing in order to respond or to manage its ahh crises, for want of a better term”.*

Will felt however, that some directors and investors in TauCo were rather more detached about their experience:

¶120: *“So it’s sort of all care and no responsibility almost, so they don’t have a huge attachment to it sort of”,*

and that this correlated with their levels of expertise and contribution:

¶114: “there’s a diversity of ah, experience, there’s a diversity of skills, um, and there’s a diversity of contribution”.

DECISION MAKING

Dealing with the founder/inventor at TauCo seemed to play a large part in the way the board decision-making processes functioned. During the period in which the board was trying to remove general management responsibilities from the founder, best practice was not always in evidence:

¶28: “I guess in the heat of it or the height of it there was extraordinary board meetings which were required, but then there was also quite a lot of more informal meetings and probably not the full cohort of the board engaging between one another”.

According to Will, the founder’s decision making during that period was far from ideal:

¶47: “a rational and you know reasonable conversation to come to a decision then [the founder] leaves that board meeting or that decision, sort of that discussion um then comes back after the fact and tries to recant”

At other times and when making other decisions, this was not the case as many of the items coded to decision-making were coded under good decision-making process. Decision-making at TauCo was generally seemed to be collegial and mature, even when consensus was not achieved:

¶47: “The actual process of decision making was good”

¶73: “Ahhh, I would say that most decisions tend to be consensus-based”

¶78: “we talked about a majority of the decisions being consensus. That doesn’t mean that they’ve always been, and which case there’s obviously been decisions made where people were um... had different opinions. Um but I think that they’ve always been heard, well heard [...]. That just because there is difference of opinions, that’s actually demonstrating that there is diversity of skills, strengths, experience, networks”.

BOARD ROLES AND TASKS

The critical incident chosen by Will, removing general management responsibilities from the founder, inventor and CEO, was an illustration of both the change-agent and advisory role of the board of TauCo. Will felt that the board was supporting management by this action, as well as bringing change to support value retention in the company:

¶3: *“what we sought to do to bring on board a more professional management to support and build the necessary commercial and business infrastructure around the inventor”*

¶13: *“seeking ways in which to effectively retain value within the company”*.

More generally, Will spoke of the board’s strategic role:

¶99: *“it’s how do you actually manage it, to or guide it and to provide the advice to set its trajectory up towards the greatest success”*,

including the strategic task of managing risk:

¶11: *“how do you actually manage to move the company forward, ah, in such a way that it doesn’t actually ah I guess implode”*.

There was little mention in Will’s interview transcript of the control and monitoring role of TauCo’s board, except in the fact of the action (of removing management responsibilities from the founder) itself, and one allusion to the founder’s strategic decision making from the viewpoint of the investors:

¶11: *“Um and therefore it may be the case that the inventor although still maintaining a fairly large shareholding or even could be close to a majority shareholding could be making the wrong decision for the shareholder base”*.

At times Will reported that the board took the management role upon itself due the perceived shortcomings of the founder as CEO, or because suitable employees were not available to TauCo:

¶62: *“they then effectively put in an office of the CEO which was pretty much the board the board becoming a quasi-executive as a board”*

¶63: *“board members end up having to pitch in in various ways just because those resources aren’t necessarily available”*.

A somewhat vague boundary between the board’s advisory and control roles was coded in several other parts of Will’s interview transcript, and this appeared to be again mainly as a reaction to the perceived limitations of the founder by the board:

¶64: *“And it was abundantly clear that the inventor couldn’t be left to be responsible for managerial um responsibilities”*

¶91: *“Were about trying to create to create an environment around them so that they were comfortable and...”*

¶92: (interviewer) safe?

¶93: *“And safe and that the, the progress which was being made was true progress”*.

6.2.8 Case 8 - Anon and CloakedCo

One of the research participants provided information that was of a confidential nature, which concerned unethical and allegedly illegal acts by management, subsequent boardroom manoeuvring, and legal actions brought by both sides. While these proceedings are now complete, they do not reflect positively on the parties concerned, and thus have required a greater degree of anonymization (i.e. no demographic information), and more extensive redaction in their presentation. These events are, however, are informative, form part of the lived experiences of the Angel investor, and so of relevance to the study. The perceptions of the Angel director are an incomplete account in so far as they concern only the act(s) of alleged malfeasance (payments made from company accounts to an executive without authorization from the board), and their aftermath.

POWER

Numerous items coded to power in Anon's transcript concerned his access to resources as a source of available power, allowing him to take certain actions in response to his concerns about malfeasance at CloakedCo:

¶105: *"[I] was a signatory on the accounts, but never used, and went to the bank, got copies of the records"*

¶105: *"there are huge burdens to achieving those but, which at some considerable cost to my own pocket, I did achieve"*

¶111: *"so I got a guy to lend the company a lot of money"*.

Rule based power was coded both as a source of power for Anon, and a power source for the executives of CloakedCo, manifesting itself in legal proceedings, and use of company rules and regulations. This power source was again coded for in numerous areas of the transcript:

¶105: *“received the letter from the law firm on behalf of the CEO that was basically seeking to get rid of myself and the other director and take over the company”*

¶105: *“I went to Federal court in [redacted] to, as any director may do, to demand an accounting and to get an injunction from the controlling shareholders holding an extraordinary general meeting to remove myself and the other independent director from the board”*

¶105: *“then using the power of the gavel, which is the most underrated power that I know exists in corporate matters, use the power of the gavel to essentially defeat every motion that the majority shareholders came up with”*

¶107: (interviewer) So you used the power of the chair to frustrate their....

¶108: *“Yeah, rule them out of order”*

¶111: *“Corporate manoeuvring and law is a wonderful thing if it’s used to a good force”.*

Overlapping to some extent with access to resources as a power source was the power source of experience and expertise (where these were the resources). In this account, this power source was mainly available to Anon, and was used by him against the executives:

¶105: *“this is where experience comes in and where I honestly believe you need the most experienced people in the startup situations, I’ve taught governance and been involved in so many scenarios”*

¶105: *“so sadly, I knew what to do”*

¶108: *“but you’ve got to have a lot of fortitude and knowledge of the law and procedure to be able to do it”*

¶111: *“It was a wonderful example of how you can actually make things right if you’re clever and know stuff and can disadvantage the bad guys”.*

Anon’s account of the determination of the final outcome of the dispute over control of CloakedCo was coded for a combination of several sources of power; those of rule-based power, access to resources, and expertise; and coded for the use of political power:

¶108: *“the other side made the fatal mistake, the founder and CEO resigned from the board, so it was perfect, the board had the ability under the constitution and under corporate law to fill all the available board seats, so I stacked the board with three more directors loyal to me and, and any board meeting that they were calling for as shareholders, they couldn’t get any sympathetic hearings and they tried to stack the board at an extraordinary general meeting, but I’d already stacked it”.*

CONFLICT

There was comparatively little text coded to conflict *per se*; what there was around fairly forceful disagreement about what was right, which actions should be taken, and matters of legal dispute:

¶105: “so that loan to [redacted] that was never to be repaid until unanimous board approval and all various financial conditions had been met, was repaid”

¶105: “several days later received the letter from the law firm on behalf of the CEO that was basically seeking to get rid of myself and the other director”

¶105: “[shareholder motions...] which would have thrown awful monkey wrenches in the works at the extraordinary general meeting”.

Relationship conflict was also coded in Anon’s narrative. The language used to describe the executives was fairly extreme, and indicative of the hostile relations between the executives and board at CloakedCo during this period:

¶108: “they’re [...] starting to look like the crooks they are”

¶111: “we had a great judge in the Federal court who sized it up and got it in one and just absolutely eviscerated the malfeasants”.

EFFECTIVENESS/COHESIVENESS/TASK PERFORMANCE

No admiration of the group was evident in Anon’s account, as may be expected, however Anon’s fellow investor director did also not seem worthy of his admiration during this period. The CloakedCo board having the right skills and experiences was certainly mentioned more than once, but these mentions were regarding Anon himself, rather than other directors. A sense of belonging, after the board coup had taken place was only somewhat obliquely referenced:

¶108: “so I stacked the board with three more directors loyal to me”.

Any other elements of board effectiveness, task commitment, good board process etc. were overshadowed by the existential nature of the incident discussed.

BOARD ROLES

Although information given by Anon was sparsely coded in all areas under investigation except for power, he did make mention of one board role that he felt to be particularly important to him, and that was the fiduciary duty to those who had invested in CloakedCo:

¶108: *“I felt I’d owed a duty of care to those that had put money into the company not to let these crooks go away and loot it”.*

6.3 Thematic Clusters / Superordinate Themes

As is usual in IPA, a close reading of the first transcript was undertaken and emerging themes noted. In this research, this first coding was in part derived from a theory-based codebook, and in part from the contents of the text. This abductive coding (Silver & Lewins, 2014), combining deductive coding from theory and inductive coding from data was then applied to two other transcripts, continuing to build codes from the data. Initial themes were developed and redeveloped, and then ordered into clusters of related or superordinate themes presented in Table 8 below. Top level headings represent Superordinate themes, the next level of heading represent themes, and the body text the components of those themes.

<p>Experience of Power</p> <p>Power Sources Rule-based power Resource-based power Power from expertise or experience Discursive power Power in numbers Coercive/force power Other power sources</p> <p>Using Power Use of political power Use of coercive/force power Shared power</p>	<p>Experience of Conflict</p> <p>Responses to Conflict Internal trauma/emotive response Extreme conflict</p> <p>Types of Conflict Conflict over tasks or vision Relationship conflict Power driven conflict</p>
<p>Perceptions of Board</p> <p>Board Effectiveness Right skills and experiences Making the right decisions Good board process Doing tasks well</p> <p>Personal Feelings and Relationships on Board Admiration of others in the group Belonging Pride in self as part of group Trust Harmony due to perceived lack of conflict</p>	<p>Perceptions of Decision Making</p> <p>Decision making processes Voting Listening to dissent</p>

Table 8 Themes & Thematic Clusters after First Coding Pass

The initial codes were then applied to further transcripts, with the initial set of themes guiding the analysis. Some themes were further subdivided, others were added (e.g. ‘Changes in Perceptions Over

Time’), and a new superordinate theme ‘Perceptions of Board Role’ was created as further related themes became evident during the analysis. This idiographic approach to analysis, begins with specific examples winding its way only eventually to generalized categories (Smith & Osborn, 2015). After two passes of analysis, a final set of superordinate themes was developed, and have been presented in Table 9 below.

<p>Experience of Power</p> <p>Power Sources Rule-based power Resource-based power Power from expertise or experience Discursive power Power in numbers Other power sources - Agenda power - Power from non-cooperation</p> <p>Using Power Use of political power Use of coercive/force power Shared power</p>	<p>Experience of Conflict</p> <p>Responses to Conflict Internal trauma/emotive response Extreme conflict</p> <p>Types of Conflict Conflict over tasks or vision Relationship conflict Power driven conflict - Process conflict - Status conflict - Other power driven conflict</p>
<p>Perceptions of Board</p> <p>Board Effectiveness Right skills and experiences Making the right decisions Good board process Doing tasks well</p> <p>Personal Feelings and Relationships on Board Admiration of others in the group Belonging Pride in self as part of group Trust Harmony due to perceived lack of conflict</p> <p>Changes in Perceptions over Time Changes to admiration of others in the group Changes to sense of belonging</p>	<p>Perceptions of Decision Making</p> <p>Decision making processes Voting Listening to dissent</p> <p>Perceptions of Board Role</p> <p>Strategy and Change Strategy Making Strategic Change Strategic Risk</p> <p>Other Roles Advisory Hands-off Control and Monitoring Resource Acquisition</p>

Table 9 Themes & Thematic Clusters after Third Coding Pass

CH6 PART 2: RESULTS – CRITICAL ANALYSIS

6.11 Introduction

While strict objectivity is not the aim of hermeneutic phenomenological studies, and this in any case “cannot be achieved by means of discourse analysis” (Meyer, 2001, p. 30) it is useful to use discourse analysis as a means of triangulation to surface agreement or disagreement with other methods of analysis, or to surface hidden information. In this study, discourse analysis has been used to examine text produced by interview across all cases, in order to interrogate the discourses prevailing amongst directors, founders and investors situated in the startup ecosystem to inform the project’s research into questions of power and conflict, but also on questions of cohesiveness and board effectiveness, in the context of early stage ventures in Australia. These results, from the macro-, meso-, and micro-levels of discourse are presented below.

A complete discourse analysis of all of the text produced by conversations with the research participants (including the formal interview part of those conversations) was not feasible within the constraints of this research project. Accordingly, those parts of text that had been previously coded as pertaining to the interviewee’s experience and opinions on power in the board room, conflict, board effectiveness/cohesiveness/performance, board decision-making, and board roles were re-coded using an initial framework of discursive themes (see Table 10 below).

This text selection was intended to create a reasonably targeted and yet representative dataset for analysis to triangulate the previous phenomenological analysis. A more complete discourse analysis that included all text produced in this project combined with other text harvested from publicly accessible social media accounts could be a future research undertaking.

The second coding pass resulted in some consolidation of themes and sub-themes as overlapping themes grouped naturally together, the dropping of some thematic elements, as well as the addition of several new sub-themes. As far as possible, these themes ‘fell out of’ the data, that is, determined by the data rather than

imposed upon it, although the researcher’s own predispositions, understandings, and philosophical perspectives, in addition to the initial coding framework have necessarily shaped this to some extent.

The need for a ‘general’ sub-theme for board discourse for that coded text that did not sit naturally within the identified sub-themes became evident, as did the requirement for a theme that captured various aspects of the self-image of Angel investors as individuals and as a group (see Table 11 below).

INITIAL DISCURSIVE THEMES

Entrepreneurial Discourse	Board Discourse
Investor Discourse	- Boards role
- Past entrepreneurial experience	- Board v management
- Past investor experience	- Representing the investors
- Past management experience	- Access to resources
- Dollars and access to dollars	- Access to networks
Managerial Discourse	- Knowledge
- Board meddling in operations	Resistance to Discourse
Experiential Discourse	- Resistance to board discourse
- Age v youth	- Resistance to discourse of experience
- Industry experience/knowledge	- Resistance to entrepreneurial discourse
- Startup experience v corporate experience	- Resistance to investor discourse
- Success v failure in past ventures	- Resistance to managerial discourse
Marginalised Participants	

Table 10 Initial discursive coding

DISCURSIVE THEMES AND SUB-THEMES

Boards Theme	Experience Theme
- General	- An experienced board
- Board roles	- Industry experience and knowledge
- Boardroom strategy	- Startup vs. corporate experience
- Knowledge and skills	- Past investor experience
- Representing investors (not formally)	- An experienced director
Superiority Theme	- Past management experience
- Moral superiority	- Success vs. failure in past ventures
- Elitism	- Age vs. youth
- Strategy superior to operations	Resistance to Discourse Theme
- Board deliberation as ultimate arbiter	- Resistance to board discourse
- Founder shenanigans	- Resistance to discourse of experience
- Superiority	- Resistance to entrepreneurial discourse
Competing Discourses Theme	- Resistance to investor discourse
- Entrepreneurial narratives	- Resistance to managerial discourse
○ Blinding us with science	Resources Theme
○ Have faith	- Resources or access to resources – I
○ Just let me get on with it	- Resources or access to resources – we
○ Living the Silicon Valley dream	- Resources or access to resources – he/they
○ The lone genius	
- Investor exits	
- Investor narratives	
- Meddling in management	

Table 11 Discursive themes after 2nd coding round

6.12 At the level of society (macro)

At the macro-level of discourse, entrepreneurial activity is seen to be vital for the continued prosperity of Australian society. According to the Startup Muster Report 2018, there are currently over 1,400 verified startup companies in Australia (Startup Muster, 2018), and these could add over \$100 billion to the Australian economy by 2020 (StartupAUS, 2017). The startup ecosystem is thus perceived to be, and is, a significant contributor to the Australian economy (Hendrickson et al., 2015). The entrepreneurial discourse is strong within this context, at this level.

Angel investors report themselves to be not solely motivated by financial returns (Morrisette, 2007), but also by a non-economic desire to be part of the entrepreneurial ecosystem, and can thus be seen to have bought in to the grand narrative of entrepreneurialism. The context of both the entrepreneurial and of Angel investor discourses at the socio-political level have been addressed in Chapter 3, in Sections 3.6 and 3.7 respectively.

While the conversations that produced the text were primarily about the company under investigation and the critical incident chosen, there were statements made by Angel's that concerned the wider ecosystem or societal issues, and have been included in the tables in the sections below.

6.13 At the level of discursive practice (meso)

A total of over 600 items of text were initially selected for recoding for discourse analysis; see Table 12 below for a breakdown of the areas to which source text was coded. After the removal of duplicate text, and of text that covered substantially the same ground as other text, 324 text items were coded to discourse and included in the analysis.

Name	Number Of Coding References
Board Decision Making	97
Board Roles and Tasks	79
Group Conflict	144
Power in a Board Setting	113
Effectiveness, Cohesiveness, Task Performance	183
Total	616

Table 12 Source text for discourse coding

6.13.1 Discourse of Boards

By far the most dominant theme, with more than 30% of the individual text items coded to discourse, was related to boards. After the second round of coding, text relating to the theme of board discourse was coded to the sub-themes of general board discourse; the roles of boards; tactics and strategy deployed in the boardroom; knowledge and skills; and representing the investors.

The *general board discourse* sub-theme was concerned with the way the board works, and included talk about complying with what is perceived as good practice: ‘formal agendas’, ‘consensus’, ‘navigating’, and

'harmonious'. The *board roles* sub-theme concerned the roles that boards see for themselves, chiefly 'mentoring', 'coach', 'guidance' but also 'strategy' and 'head butting'. *Boardroom strategy* was a sub-theme that involved talk of manoeuvring and tactics by the informant or others: 'one-on-one conversations', 'informal meetings', and 'power of the gavel'. 'Experience' and 'skills' made up the content of the *knowledge and skills* sub-theme, but also 'empty chair' indicating their lack. The final sub-theme of the board discourse theme was that of *representing the investor*. Here 'representative', 'duty', 'fiduciary', and 'shareholder value' feature.

A representative selection of quotes from the text relating to these sub-themes is presented in Table 13 below, with a wider sample displayed in Appendix E.

BOARDS				
Board discourse - general	Board roles	Boardroom strategy	Knowledge and skills	Representing the investors
Were there any conversations outside of board meetings, were there any one on one phone calls or anything like that, discussing this? "Many"	"so through this particular period of time it was, you know you, you I guess tried to be a coach, you tried to be empathetic to the fact that there was change happening"	" so I stacked the board with three more directors loyal to me and, and any board meeting that they were calling for as shareholders, they couldn't get any sympathetic hearings"	"so you really get to cover all the bases because clearly the executive team is very often one or two people and very often inexperienced compared to the board members and the board has a very important, very involved role to play"	"particularly when you're representing Asian investors they're not in there for philanthropy we want to help the management team and the people in the startup moving on but we also want to move to an exit so you just can't, you can't afford to sit around and make it a lifestyle choice"
"when anything was really polarising we split the difference and deferred because we all have to get along"	"No no no no, look, that's the role of any board, to set a strategy in place and if you don't have the resources, you've got to put the resources in to actually achieve it. That's their prime function for goodness sake"	"I guess in the heat of it or the height of it there was extraordinary board meetings which were required, but then there was also quite a lot of more informal meetings and probably not the full cohort of the board engaging between one another"	"this is where experience comes in and where I honestly believe you need the most experienced people in the startup situations, I've taught governance and been involved in so many scenarios"	"Yes, but, so I wasn't an official representative, but as a very experienced, both private and public company director, I know what my duty was, my duty was always, and I always sought to act in the interests of all shareholders"
"Has to be by consensus, absolutely, board has to reach that sooner or later, it cannot be otherwise, you can't have strong dissention at board level without creating major problems"	"given what eventually transpired in the last year, that last year, it's a kind of hard one, there was failure of oversight to achieve all that could be achieved"	"So the decision about to make it happen and to assign him as the executive chairman and even to give him the compensation, one of the things I didn't like about that board is that a lot of that was one on one conversations"	"ultimately, any board member, independent board member or non-executive board member, relies on the integrity of company's records to make its decisions and when push came to shove down the track, that turned out not to be the case"	"Most people would have just walked away I suppose, but I felt I'd owed a duty of care to those that had put money into the company"
"My personal interactions on the board were outcome determinative and positive"	"It works a lot better now, 'cause they're doing what they should be doing. So it's become more strategic and advisory rather than interfering"	"they tried to stack the board at an extraordinary general meeting, but I'd already stacked it"	"how you can actually make things right if you're clever and know stuff and can disadvantage the bad guys"	"so we are representing not only our own interests but actually investors interests on this board, which probably um, gives me a different perspective as to when is the right time for me to, to exit from this board"

Table 13 Boards Theme

6.13.2 Discourse of Superiority

The second major theme identified in the analysis of discourse was that of ‘Superiority’. It became apparent during the coding process that a substantial amount of text when taken in its wider context related to a narrative of superiority. The most obvious type of discourse here, captured in the *strategy superior to operations* sub-theme, was the privileged place that strategic activities held when compared to operations in the minds of the investor directors, with the board’s role as strategy gatekeeper reinforcing its position at the top of the organizational hierarchy.

Another cluster of closely related items were those relating to the board as the ultimate arbiter of all decisions, both great and small, captured in the *board deliberation as ultimate arbiter* sub-theme. Legitimacy was seen to be bestowed on ideas and decisions by the board giving its imprimatur, and ideas could not progress without this. Board members own views seemed to reinforce the general view that boards are elite and somewhat elitist, and a strong sense of professional and personal superiority was in evidence, and captured in the *elitism* sub-theme. A more general sense of superiority where board members give their ‘blessing’ to activities, and CEOs need to be ‘counselled’ makes up the *superiority* sub-theme.

Two other sub-themes were added subsequently to the theme of superiority. The first of these was the sub-theme of *moral superiority*, and related to statements about the dishonesty or ignoble motivations of others. Related but distinct, were comments about the sometimes serious misbehaviour of founders and other investors on the boards of their companies, which have been labelled *shenanigans*, as that term takes in to account the impression that some of this behaviour seems to be seen by the investors as expected or even inevitable.

These sub-themes and examples of quotes are exhibited in Table 14 below, with a wider selection to be found in Appendix E.

SUPERIORITY		
Moral superiority	Elitism	Strategy superior to operations
"The lapsed lawyer I think saw this as an opportunity for personal aggrandisement, I think he invested a lot of ego in this board"	"this was a top guy doing me a favour really, but we met for coffee for a couple of hours to really sort it all out"	"Yeah, I thought that the Chairman did well. As I said he was a finance guy, but not an accountant in the sense of a rear view mirror, he was a finance guy who specialized in looking forwards and being able to make projections and he did it well."
"you want to believe the best of people even when you're getting evidence that maybe that belief is not warranted."	"the rest of the board were incredibly experienced and highly regarded businessmen"	"So his operational management and his sales skills were excellent. And his strategic thinking and his strategic financial thinking were flawed. And the board, in my view compensated for that very well indeed."
" It was very stressful, it was very stressful. I find that kind of verging on criminal behaviour, personally, very difficult to live with."	"it's a bit scary, I've only met two people I think in all my career who think like me "	"The CEO was a brilliant cash flow manager and absolutely hopeless at the larger picture. He just couldn't, couldn't, see the finances as a whole but he could manage the monthly..."
Board deliberation as ultimate arbiter	Shenanigans	Superiority
"we said we didn't want to do this, I said that's right, but put together a proposal document, as to the pros and cons and whatever and bring it up at the next board meeting and we'll make a decision."	"was that the CEO was lying to all of us about all sorts of stuff."	"So that if the board's uncomfortable about something or a director's uncomfortable about something, they'll say I'm not prepared to give it my blessing now"
"when anything was really polarising we split the difference and deferred"	"more of this goes on in the angel investor and small startup business space than people would know"	"had a very strong vision where I wanted that company to go and I was so disappointed when it was taken in a direction that I didn't want to be involved with it"
"what didn't particularly work maybe well was, initial request to do it was maybe, just assumed it would happen without discussion"	"the entrepreneur was clearly playing people off against each other"	"I brought in an outside consultant to take a look at the business, to figure out how best to handle the cash crisis, to counsel and mentor the CEO."

Table 14 Superiority Theme

6.13.3 Competing Discourses

The third major theme identified in the coding for discourse was that of competing discourses. Discourses of various types asserted themselves (and resisted others, captured in the ‘resistance to discourse theme below); chiefly the dominant entrepreneurial discourse butting up against investor discourses as might be expected in a contested space such as the board of an early stage venture, where entrepreneurial founders and investors are both involved, with management discourse also in evidence. This theme contains the sub-themes of entrepreneurial narrative, investor exits, investor discourse, and meddling in management.

The *entrepreneurial narrative* sub-theme was itself made up of a number of entrepreneurial tropes: ‘blinding us with science’ where the entrepreneur assumes that others will not challenge their assertions as they do not fully understand them, ‘have faith’, ‘the lone genius’, and ‘entrepreneurs can’t manage’. The *investor exit* sub-theme represents text which signifies the investors’ desire to cash out of the company, such as: ‘exit’, ‘public listing’, ‘selling the company’ and ‘outlived the fun’. More general investor discourse around ‘money’, ‘being listened to’, and ‘investor influence’ made up the third sub-theme, *investor discourse*. The final sub-theme in the competing discourses theme was that of *meddling in management*, a common accusation against boards by managers. Here talk was of ‘interfering’, ‘supervising’, ‘quasi-executive’, and ‘input on management’.

The competing discourses theme and sub-themes, and examples of quotes are exhibited in Table 15 below, with a wider selection available in Appendix E.

COMPETING DISCOURSES

	Entrepreneurial Narratives	Investor Exits	Investor Discourse	Meddling in management
Blinding us with science	"CEO kept telling us all how wonderful all this was, the patents and stuff"	"So within three months of us agreeing to invest, we, that is the angel investors who were involved, had actually helped the company generate an exit deal with the world's number one company for what they did, a big multi-billion dollar exit"	"not by the way that under the terms of investment that they had any influence, it was entirely up to my group of investors who they had on the board."	"an extension of the management team at times? Rather than just a board? Or not so much? Not really so much, a bit, I mean..."
Founders can't manage	"we sought to do to bring on board a more professional management to support and build the necessary commercial and business infrastructure"	"when we invested, we actually invested in an exit strategy for this particular company"	"When they refused to contribute to the capital raising, so we all put in a small uptake and then got one big new investor, but when they refused to contribute to that, I insisted and I made sure that the new investor insisted, that they step down from a board seat"	"I think the Chairman supervised the bookkeeper somewhat to make sure that the books were prepared correctly. So, that's kind of a COO or CFO role, so maybe the Chairman acted a bit in the CFO role to some extent before we actually got to the point where we could hire a CFO"
Just let me get on with it	"I think the CEO saw it [the board] as a necessary evil."	"we want to help the management team and the people in the startup moving on but we also want to move to an exit"	"he was also the first angel investor in the company and he took a strongly dissenting view and he at that time had a 5% shareholding so he was clearly still a voice to be listened to"	"The chairman was a finance guy, he had a lot of input on uh how to manage the money and stuff like that."
	"essentially the openness of the inventor to sort of, you know, engage around particular topics with particular people"	"And I wanted to focus on selling the company"	"you have to be pretty clinical about getting to an exit on the investment and that's what this is all about"	"So at times when the business has been on a lull then there's not that much really going on, and in a lot of ways I guess to navigate forward out of the loss of the sort of executive team they then effectively put in an office of the CEO which was pretty much the board the board becoming a quasi-executive as a board"

Table 15 Competing Discourses Theme

6.13.4 Discourse of Experience

The next major theme identified in the coding was the discourse of experience. In most cases the experience talk was of ‘our’ or ‘my’ experience in various domains, and ‘his/their’ inexperience. There was also a strong sense of experience performing a normative role, especially where the experience was in the realm of startup companies. Discourse of experience was made up of several sub-themes; an experienced board, industry experience and knowledge, startup vs. corporate experience, past investor experience, an experienced director, past management experience, success vs. failure in past ventures, and age vs. youth.

Having an *experienced board* meant talking about knowing when to take ‘corrective measures’, having ‘vast experience’ and handling things ‘professionally’. Things that are ‘normal’, ‘the way it gets done’ were some of the ways that the *industry experience* sub-theme informed participant’s talk, because they or others were ‘experienced [...] in this domain’. Differentiating between experience in corporate environments as opposed to a startup context was captured in the *startup vs. corporate experience* sub-theme, with both the negative, ‘don’t have a clue’, and glowingly positive attitudes to those with ‘vast experience’ in ‘considerable enterprises’, and uniformly positive statements about investors’ own startup experience.

The discourse of experience theme and sub-themes, and examples of quotes are presented in Table 16 below. Further examples can be found in Appendix E.

DISCOURSE OF EXPERIENCE

An experienced board

"And, and uh we had to um, very rapidly take some corrective measures. But they were purely financial issues, nothing complicated about it, just a matter of making the numbers line up and so they weren't really very stressful"

"Yes it was very professionally handled, the people involved had themselves vast board experience from other listed companies and considerable enterprises so it was a very strong board"

"I'll admit they were stressful in the sense that you might fail, but there wasn't a divergence of views about the need to do something"

Industry experience and knowledge

"because of the big company had insisted on exclusivity, an item by the way, I strongly resisted and I said by the way if they are going to insist on it this is the normal compensation you demand, one of which is what's called a break fee"

"the rest of the board were incredibly experienced and highly regarded businessmen so we all came to the same conclusion and there was never any doubt in anyone's mind that that was the step that had to be taken"

"particularly the Chairman is highly experienced, sort of you know in this domain, has navigated it many, many, many times"

Startup vs corporate experience

"this is where experience comes in and where I honestly believe you need the most experienced people in the startup situations, I've taught governance and been involved in so many scenarios"

"I had the impression that he ought to be competent, I didn't expect him to know much about how to invest in an early stage company but I did expect him to know how to run a board"

"corporate directors don't have a clue how to run a startup"

Past investor experience

"If you're invested in the startup space you see a lot of stuff that has relevance to a lot of different businesses and markets, some of it might be a good fit, some of it not so good"

"my impression was that the, certainly the founder CEO and the family office guy really didn't know what they were doing, but that was okay, it's not unusual in that circumstance"

"For both of them, their investor groups, this was the first early stage company they'd invested in"

An experienced director

"the new investor that I brought on had been a director on other boards that I'd been on and was really great for probity governance things, not that I was not, but you need help if you're banging heads on that front all the time"

"I said 'no, I need to look at that carefully, I need this information, I need to talk to this person, I need to do this' and that generated a fair bit of tension"

Past management experience

"So I took him through, what are you thinking about, what's your mindset etc, ok, here are the things that you need to think about, once you've had a think about it and you think it's still a goer, here's the things I think you should cover off in any proposal that goes to the directors, right okay, and then we can have that discussion. So I wasn't trying to pre-empt him, I think, it was more to say, go through a thought process, in terms of, and here's the things you should think about, from a procedural point of view"

Success vs failure in past ventures

"And I kept saying, just a minute, I'm the one who's got the experience, I'm the one who's already lost enough money to learn the lessons, and I'm telling you this is what we have to do"

"this is a CEO who failed in his own business before and after exiting the company failed in another business afterwards, but he succeeded in this business because he had skills from the board that...took advantage of his very um very significant skills in sales"

Age vs youth

"there was the CEO of this company, who was still a young man, this was still his first effort and very much a technician, not a business person"

"that led to having the CEO, who's actually still quite young and inexperienced, negotiating terms, which I advised against"

Table 16 Experience Theme

6.13.5 Resistance to Discourse

Resistance to discourse represents areas where discourses are pushed back on by various actors for varying reasons. This can be because of the assertion of the dominance of a competing discourse with the intention of displacing or replacing the other, or because they have taken issue with some aspect of that discourse. The sub-themes of resistance to board discourse, resistance to discourse of experience, resistance to entrepreneurial discourse, resistance to investor discourse, and resistance to managerial discourse made up this discursive theme.

Resistance to board discourse came both from within, dismissing the idea that a board meeting was necessary to get decisions made, and from outside of the board when it was seen as ‘a necessary evil’. *The discourse of experience*, powerful elsewhere, was actively resisted where this would confer power: ‘that’s not the way it gets done’ typified the talk captured here; with the implication that other discourses could trump this one within a board setting. Statements such as ‘no such thing as the overnight success’ and that small startups can be ‘bullied’ by larger corporates represent at least partial *resistance to entrepreneurial discourse*, by resisting some of its strongest narratives.

Resistance to investor discourse was not strong, but was evoked by founders fighting a rear-guard action against bringing in new investors, or a CEO who wanted the investors to let him ‘choose his own board’ without their input. Finally, *resistance to managerial discourse* refers to boards and investors (especially) pushing back against the idea that managers should have control over the way a company allocates its resources, wanting ‘absolute control over financial matters’, or the idea that there should be ‘tension’ between the board and management, reflecting an agency theory position.

This theme and its sub-themes, in addition to some supporting quotes, are displayed in Table 17 below. Additional quotes are available in Appendix E.

RESISTANCE TO DISCOURSE

Resistance to board discourse	Resistance to discourse of experience	Resistance to entrepreneurial discourse	Resistance to Investor discourse	Resistance to managerial discourse
"he refused, in an open board meeting, when he refused to accept that and really went off, I knew bad things were going to happen"	"again the other said oh [redacted] you just don't understand how business is done"	"you'd come to find that because you got bullied by the client usually 'cause small company/big company"	"I would say that we browbeat the founder but we met about it for hours and we didn't put a gun to his head, but it was clear that the new money wasn't coming in if he didn't agree to it so"	"ultimately, any board member, independent board member or non-executive board member, relies on the integrity of company's records to make its decisions and when push came to shove down the track, that turned out not to be the case"
"I think the CEO saw it as a necessary evil"	"And the others said oh [redacted] that's not the way, it's a big company, we can't make them do that"	"this is the problem when founders or parties associated with the founders together, are the controlling shareholders. What are, if you don't have consensus, then those parties are a opposed to some particular agenda item or decision, then take their ball and go"	"insisted that he be given the right to choose his own board essentially"	Did the board include the wider management in its thinking about what needs to happen? Staff shedding etc.? "Not really. No. The CEO was all we really needed for these decisions"
"I mean, as you know, you don't have to have a board meeting once an idea starts"	"no I've spoken to my friends, they tell me that's not the way it gets done"	"And it sort of demonstrates I suppose, that you know most of, there is no such thing as the overnight success, umm. This might be the seven year overnight success or the twenty year overnight success, umm, in this case"		"but the terms of this capital raise required that the board have absolute control over financial matters especially"

Table 17 Resistance to Discourse Theme

6.13.6 Discourse of Resources

The final group of sub-themes were grouped together in the discursive theme of Resources. This theme concerned resources, access or perceived access to resources by various actors, or the lack thereof. The sub-themes are identified according to the actors who are involved in each case: resources or access to resources – I, resources or access to resources – we, and resources or access to resources – he/they.

Resources or access to resources – I represents mostly the ability of the individual telling the story to bring in resources to the company because of breadth and depth of their networks. ‘I brought in’, ‘I had [...] to find’, ‘I got a guy’ were some of the words in this sub-theme. There was also talk of things that were possible ‘at considerable cost’ because of the individual’s financial resources. *Resources or access to resources – we* was concerned with talk about networks and financial resources of the group, but also of the lack of time and money on occasions, e.g. there’s not enormous amounts of resource’. The third sub-theme, *resources or access to resources – he/they* was about the access to resources of others, often with a somewhat derisory tone. When current investor board members ‘refused to contribute to the capital raising’, or the CEO had to be persuaded that he ‘needed to be paid a bit less’ for a period of time, the general sense was that of a victory for the narrator.

The discourse of resources theme and sub-themes, and examples of quotes are presented in Table 18 below. Appendix E contains further examples.

RESOURCES

Resources or access to resources - I...

"there are huge burdens to achieving those but, which at some considerable cost to my own pocket, I did achieve"

"so I got a guy to lend the company a lot of money under favourable to that lender terms, as you would imagine"

"It wasn't just that. The thing that I brought to it was that I'd identified the opportunity, the business opportunity"

"this was a top guy doing me a favour really, but we met for coffee for a couple of hours to really sort it all out"

Resources or access to resources - we...

"We did subsequently get the number two company in the world, also another Silicon Valley company to come to the table and do due diligence"

"it's the access to the networks and getting in front of the right people that can actually help them grow the business that's worth a lot more than the money"

"at the Angel level there's not enormous amounts of resource available here. So, people are probably budgeting their time across you know across numerous boards or numerous responsibilities both executive and non-executive"

"I think that it was we had a cohort of people that because of the, I guess the experience and ah, I guess networks of those who were on the board we tended to have pretty good access to what's required"

Resources or access to resources - he/they...

"When they refused to contribute to the capital raising, [...] but when they refused to contribute to that, I insisted and I made sure that the new investor insisted, that they step down from a board seat"

"So he had a divergence of views and had to be persuaded that he needed to be paid a bit less for a while..."

"The CEO was very attached to his salary cheque [laughter]"

Table 18 Resources Theme

6.13.7 Word choice

In addition to the preceding themes of discourse, particular words and phrases that appeared in the interview text have also been presented in a word choice theme. Choosing particular words, phrases or expressions over others can in itself be seen as a discursive practice. Word choices that appeared to be deliberate and held some meaning to the interviewee were coded and were then grouped in a fairly natural way into four major categories and one minor (see Table 19 below). These discursive elements occupy the liminal space bordering the meso-level (discursive practice) and micro-level (that is, text) of discourse.

The major categories of words were as follows: those utterances that trivialised the other by casting them as children and the investor as the parent or teacher in the relationship, or which appealed to tropes of masculinity, *paternalism or masculinity*; those words that appealed to images of powerful actions, *images of power*; text that served to silence by denigration of others or exaggeration of their actions, or muting their truth in some way, *silencing or muting*; and words that served to maintain or promote a certain way of being or thinking, *normalising the status quo*.

There was also one interesting instance of speech that seemed to intend the opposite to its literal meaning, in a minor but telling category labelled *doublespeak*. Being ‘liberated’ from duties evoked quite the opposite intention. *Paternalism or masculinity* represented expressions such as the ‘application of tough love’ to founders and included the idea of lack of bravery in not being ‘willing to stand up’. Others were viewed as needing a firm guiding hand. Forceful words evoking *images of power* were included in that category; where problem people were ‘eliminated’ and if you disagreed you may have had a ‘gun put to your head’. The silencing or muting category concerned using word choices to belittle or disparage in order to deny the other legitimacy, or to make the other’s action seem so extreme that they would not be heard, to the extent of ‘having to have armed guards in the [sic] reception’

WORD CHOICE			
Doublespeak	Paternalism/masculinity	Images of power	Silencing/muting
"that were being liberated from some responsibilities"	"those parties are a opposed to some particular agenda item or decision, then take their ball and go"	"we had to eliminate the driving force"	"the lawyer guy"
	"but after a while the dog ate my homework doesn't cut it"	"so probably the driving force and the information we got was from those people who were also executive directors"	"The lapsed lawyer I think saw this as an opportunity for personal aggrandisement, I think he invested a lot of ego in this board"
	"Basically I knew he was a lost cause"	"but if you agree to something with the metaphorical gun to your head"	"he was gluing himself to that seat"
	"that's not to say that there isn't you know instances where there's had to be application of tough love in order to essentially enable the business to move forward"	"great judge in the Federal court who sized it up and got it in one and just absolutely eviscerated the malfeasants"	"he was asked to immediately leave the premises and we ended up having to have armed guards in the reception"
	"that they step down from a board seat, they weren't willing to stand up"		

Table 19 Discourse at Text Level - Word Choice

6.14 At the level of the text (micro)

It is useful to understand the words that interviewees use in their descriptions of lived experiences of serving on early stage boards. Whereas the previous sections looked at the discursive uses to which words were put; to suggest ideas, ways of thinking, images and attitudes, and to legitimise and invalidate; this section presents a sample of words chosen for their overt meanings and documents them in terms of their frequency of use across all cases. It is important to attend to both levels, as acknowledged by researchers performing a discourse analysis of directors' mindsets in a larger corporate context in NZ : "we paid attention to both to participants' word choice [...] and imagery, and to the broader patterns through which their mind-sets towards governance were demonstrated" (Carroll, Ingleby & Inkson, 2017, p. 610).

A word cloud displaying the top 100 or so words over five characters in length used by interviewees across all cases can be found in Figure 18 below. The word frequencies were generated from all text, and not limited to words found in coded fragments. Obviously the word 'board' dominates, expected given the context, and some of the other high frequency words are fillers such as 'really' and 'actually', and 'think', but others have more salience for the speaker such as agenda, management and meetings.

A selection of words and their frequency can be found in Table 20 below.

WORDS	FREQ
POSITIVE	
Build/built	18
Help	10
Mentor	6
Facilitate	0
Consensus	56
Unanimous	12
Advice/advise/advisory/advisor	22
Together	38
Agree/agreement	50
Persuaded/persuasion	10
Achieve	36
Happy	30
NEGATIVE	
Argue	2
Disagree	2
Conflict	2
Opposed	12
Challenge	18
Stress	22
Difficult/difficulty	22
Destructive	6
Force	12
Threatened	2
ROLES & PROCESS	
Monitoring	4
Control	26
Strategy/strategic	74
Decision/decide	206
Votes/voted	8
Agenda	72
Governance	26
Resource/s	20

Table 20 Word frequencies

CHAPTER 7 DISCUSSION

7.1 Introduction to findings from analyses

A series of seven research questions in two groups were developed in order to understand behavioural factors influencing board effectiveness in startup companies in Australia, and to compare these to the results of theoretical and empirical research into the effects of board interpersonal dynamics on board effectiveness grounded in other organizational contexts. In order to fulfil the aims of this research project (see Section 1.1), this chapter presents an interpretation and discussion of the results of two analyses, one using the IPA (Interpretive Phenomenological Analysis) and one the CDA (Critical Discourse Analysis) approach, completed on the collected data.

The discussion has been structured so as to address those seven questions, with further structure based on the IPA (phenomenological) analysis, as this more closely matches the format of the research questions. Discussion of results derived from the discourse analysis (CDA) have been woven in to the discussion to highlight where these have reinforced or disconfirmed the phenomenological results, or where they bring to light entirely new aspects of lived experience. A summary of discursive themes identified in the CDA is presented in Figure 19 below.

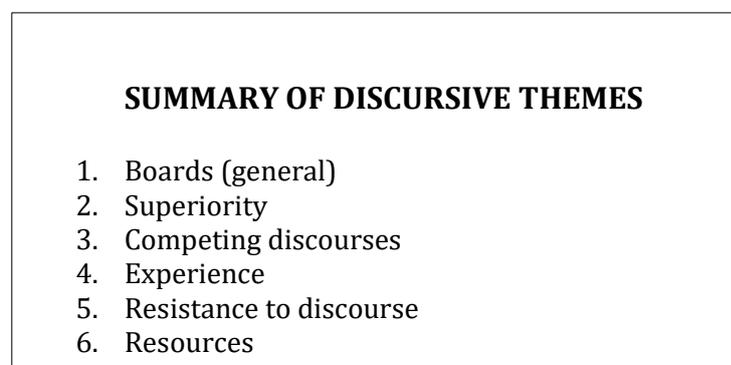


Figure 19 Summary of themes identified in CDA

It is important to note that a dispassionate examination of answers to questions designed to expose the lived experiences of interactions between founders and Angel investors on startup boards cannot, and was not intended to, give a complete picture of their experiences, motivations, emotional attachments, disappointments and successes, or a holistic view of their role. Further work is required to provide a fuller depiction of this important category of venture investor. Future research could for example, build on work on the coincidence of negative director sentiment and deviations from board best practice (Wildenauer, 2016) and on emotional valence associated with decision-making and interpersonal interactions in the Angel context.

The research interviews with Angel investors on Australian startup boards confirmed findings from the literature, for these Angels at least, of the significance of non-financial motivations (Morrissette, 2007) for their involvement in the startup ecosystem as investors, directors, and in other advisory or mentoring roles. As a group they were engaged with their investee companies on a personal level, and were willing to expend emotional as well as financial capital on them. As could be expected, the discourse analysis uncovered a deep self-belief, belief in their role as Angels, and in the primacy of the board.

The summary research questions RQ1 and RQ2 and the seven sub-questions are presented in Figure 20 below.

RESEARCH QUESTION 1.

What do the interactions between Angels and founders mean for board effectiveness as predicted by existing group theoretical constructs of intragroup conflict and power relations?

- a. How is power experienced by the members of early stage boards?
- b. What does the way power is distributed across board members mean for the board's strategic and advisory roles?
- c. How does conflict manifest itself during Angel and founder interactions?
- d. How can this be interpreted in terms of importance to the board's task performance and group cohesiveness?

RESEARCH QUESTION 2.

How does this differ from the Angels perceptions of board effectiveness, and from their perceptions of the meanings of interactions for board effectiveness for early-stage boards?

- a. How do Angels perceive the effectiveness of the board on which they serve?
- b. How do Angel investors see their interactions with founders affecting the board's ability to make decisions, guide strategy and provide advice?
- c. How do Angels understand the effect these interactions have on the social cohesiveness of the board?

Figure 20 Research Questions

7.2 Propositions predicted by the theoretical model

The following propositions have been derived from the conceptual model presented in Chapter 4 above, and from the literature presented in Chapter 2. They predict the way that Angel investors on Australian early stage company boards experience conflict and power, and the effects this will have on task performance and cohesiveness, and therefore board effectiveness. A further set of propositions derived from the results of both a phenomenological analysis and a discourse analysis, which aim to surface the lived experiences of informal venture investors are presented in Section 7.6.3 below. These additional propositions serve to track the differences between the model and lived experiences, and present opportunities to further refine and enrich the conceptual model in future research. The model predicted that...

Proposition 1. A company's industry sector, stage, and founders' skills and knowledge determine the roles and tasks of a board. Power dynamics on early stage Australian boards are shaped by these roles and tasks as they determine which sources of power may be available and inform role expectations. This aligns to the Board Power Framework (Pettigrew & McNulty, 1998).

Proposition 2. Power dynamics on early stage boards in the Australian context influence the level of divergent and convergent task conflict, willingness to use knowledge and skills, and effort norms. They thus influence the level of board effectiveness through task performance and cohesiveness.

Proposition 3a. Relationship conflict has a direct negative effect on cohesiveness, and an indirect negative effect on both cohesiveness and on task performance through its effect on effort norms.

Proposition 3b. Process conflict on early stage Australian boards has a negative direct effect on task performance, and cohesiveness, and additionally an indirect negative effect on both cohesiveness and on task performance through its amplification of the negative aspects of task conflict.

Proposition 4. Task conflict when severe or long-lasting is predicted to negatively affect interpersonal attraction and lead to relationship conflict, thus negatively affecting cohesiveness.

7.3 Critical Reflections

As there is no assumption in hermeneutic phenomenology that the researcher is or can be entirely objective (Laverty, 2003), it is important to examine the worldview and biases of the researcher in their role in further interpreting the participant's interpretations of their lived experiences. Accordingly there would seem to be three questions that the researcher needs to reflect upon, and document as part of the research output.

1. What are the researcher's biases?
2. What are the origins of these biases?
3. Have they been adequately addressed or articulated or mitigated or accepted?

These questions are best answered in a reflective manner, accordingly this section of the results discussion has been written in the first person.

During my career, I have worked for several startup and early stage companies, which may accordingly have coloured my views of the way this type of organization functions, and of the entrepreneurial founders of them, and venture investors in them. During this startup experience, obtained in Australia, the US and the UK, of approximately seven years duration, I have also had cause to mix with entrepreneurs, informal investors and other members of the startup ecosystem socially as well as for business. In addition, having lived in Silicon Valley for a period of seven years, working for startups and corporate businesses, where many conversations both professional and personal concerned new technology or new technology providers, I may be somewhat more accepting of the vagaries in the way business is conducted in the startup realm than otherwise would have been the case.

Such exposure to entrepreneurialism and entrepreneurship would of necessity have normalised this type of activity, enterprise, and individual for me to some extent. While I have not accepted the entrepreneurial approach to building wealth without having some critical questions to ask of it, explored further in a later section, I have acknowledged it as a valid approach that has a place in a modern economy. This has included my recognition of Angel investors as an elite group, who are somewhat 'special' in that they are often successful entrepreneurs themselves.

A second set of biases and attitudes have stemmed from my coursework in, and research into, corporate governance, as this has been built on certain assumptions. Firstly, the fact that I am undertaking doctoral research in the area presupposes an assumption that it is a rich and worthwhile field of study, having some level of meaning in academic and wider circles. Secondly, at least some, if not all, of the tenets of corporate governance may be taken as 'truth', including the first order truth that organizations require active governing. A third assumption is that particular styles and practices of governance may be preferred over others, for reasons of firm conformance as well as performance, even for those more interested in the behavioural aspects of governance. A final assumption that the field of corporate governance requires to at least some extent, is the existence of best practice, and that it has been identified, and can be applied in the real world. More particularly, this research project has been based on the assumption that board effectiveness is important for corporate governance, and leads to desirable organizational outcomes.

More than three years of teaching corporate governance topics to Masters-level students in an Australian university may also have engendered certain biases and assumptions in my thinking about this topic. Teaching corporate governance, especially to Masters of Business Administration (MBA) students has required me to accept to at least a minimal degree that it is desirable to learn about governance in some formal way in order to 'perform' it better, and that there are consequently some rules that can be learned, and ought to be followed.

Boards of directors hold a special place as the ultimate organ of governance in the Anglo-American (therefore, Australian) model of corporate governance, and thus directors are expected to be skilled in this art. As a director of a state-owned entity (SOE), to at least some extent I accept that identifying as a board member entails believing that serving in such position requires the individual be inculcated with the gravitas and sense of responsibility that this role demands of them. This requires a director to accept certain rules and standards of behaviour (even when not always adhered to), and the 'specialness' of directors. My own lived experience as a director in a particular context may also have led to assumptions and judgements about the way boards in other contexts may choose to (or be required to, or ought to) go about their business.

Finally, with one exception (working in the Netherlands for a Dutch pre-IPO business), all of my working life has been spent immersed in the Anglo-American business milieu, which has obviously conditioned to some extent the way that I think about organizations, the people within them, and what 'normal' interpersonal interactions may look like in the organizational context.

I believe that having articulated these issues, and having reflected on what biases I may have come to this research with, I have gone some way to allowing a reader form a view of the way that they will interpret the methods and findings of this project. A 'triangulation' discourse analysis has further served to surface not only hidden meanings in interview text, but also to some extent mitigate researcher biases. Since absolute objectivity is not in any case possible, subjectivity on the part of the researcher ought to be noted, and then accepted as part of the interpretive effort.

7.4 Research Question 1

What do the interactions between Angels and founders mean for board effectiveness as predicted by existing group theoretical constructs of intragroup conflict and power relations?

7.4.1 How is power experienced by the members of early stage boards?

“power and knowledge directly imply each other” (Foucault, 1995, p. 27)

Investor directors on early stage boards in the current research appeared to understand power predominantly in terms of the sources of power available to them and to others. Analysis of the texts resulting from interviews resulted in eight power sources being identified (see Figure 21 below).

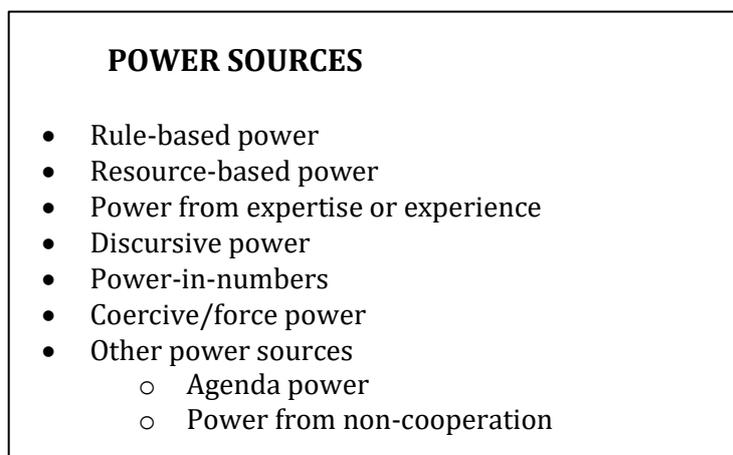


Figure 21 Power sources identified in phenomenological analysis phase

Angels perceived a large measure of their own power to be derived from their individual and collective experience and expertise: “the rest of the board were incredibly experienced and highly regarded businessmen so we all came to the same conclusion”. Moreover they believed that this experience and expertise, whether it was in managing an organization, governing an organization, or as an investor in early stage ventures, ought to be sufficiently persuasive of the superiority of their views, ideas, and opinions to influence others, and became vexed when it was not: “there was never any doubt in anyone’s mind that that was the step that had to be taken” but “just a minute, I’m the one who’s got the experience”.

Angels' familiarity with, and preference for, this power source was reinforced by the results from the discourse analysis. Discursive narratives, whether deriving from experience as investors, directors or entrepreneurs, tended to cast the self or group as experienced in some fashion, and the other as inexperienced. This discursive theme was also normalizing, as it served to structure the understanding of the way experience on the board of a startup should or ought to look.

Another source of power that was mentioned in many interviews was resources. Angels seemed to perceive that as board members, having access to wide networks was a useful thing, but did not necessarily identify this as a source of power able to be deployed by them: “[because of] I guess networks of those who were on the board we tended to have pretty good access to what’s required”. Access to economic resources were more likely to be understood by the Angels as something in their favour, if not explicitly recognized as a source of power in their dealings with others; “there are huge burdens to achieving those but, which at some considerable cost to my own pocket, I did achieve”.

Discursive narratives around power from access to resources included stories about the ability of Angels to save the day because of access to networks, business opportunities or personal financial resources, but also of other’s lack of resources, often characterised as a failing on their part. The positivity around resources also extended to the board group as a whole, having access to people and money resulted in a feeling of ‘power over’ as well as ‘power to’. The narratives of ‘access to resources – I’ and ‘access to resources – we’ could serve to condition the understanding that Angel investors are a necessary, even vital part of the entrepreneurial ecosystem.

An interesting power source that emerged from the data, rather than from theory as did the previous two sources, was that of non-cooperation, which featured in several of the interviews. In each case this was a power source available to a founding entrepreneur/CEO, and used by them when confronted by superior numbers on the board: “he refused, in an open board meeting”. This source of power was also used by a founder to avoid having discussion that he felt would be result in unfavourable outcomes for him: “essentially the openness of the inventor to sort of, you know, engage

around particular topics”. The Angel investors gave the impression that this was frustrating but not atypical behaviour on the part of entrepreneurs.

At the level of discourse, the use of the power source of non-cooperation could be characterised as resistance to a particular discourse, rather than individual intransigence. The fact that non-cooperation was employed by the founder/CEO in each case, rather than another type of board director, and in situations where they felt a lack of power, would tend to lend this view credence. It is possible that founders withdrew their cooperation to reassert their psychological ownership of not just the business but the idea, and resist the investor and board discourses.

Also coded in several interview narratives was power derived from rules; the sources of power that law, regulation, charters, constitutions and accepted board practices provide were perceived to be available to them by Angel investors on boards: “we’re not going to minute this, I said you have to, it’s a board meeting”. This was particularly the case for those directors who had experience on ‘corporate’ boards as opposed to serving only on the boards of early stage ventures, and were able to use this to their advantage in the boardroom or in at the AGM: “using the power of the gavel, which is the most underrated power that I know exists in corporate matters...”.

Another emergent source was power-in-numbers. This source of power was identified by investors in terms of the number of directors for or against a particular decision, whether it came down to a vote, or whether a vote was not required because superior numbers forced consensus or agreement (i.e. disagreement was not seen as a viable option): “there was a clear majority for the action we had to take” and “we absolutely demand that you take him off the board”.

Power-in-numbers in terms of voting shares were also perceived by Angel directors as being a valuable source of power, but as with numbers of directors, the fact that this source of power was available to others to counter them in many cases was keenly felt: “[an Angel investor] took a strongly dissenting view and he at that time had a 5% shareholding so he was clearly still a voice to be listened to” and also “the inventor [needed to be mollified] ...still maintaining a fairly large shareholding or even could be close to a majority shareholding”. Often power-in-numbers was countered by the Angels by

employing rules such as leaving previous investors off the board if they did not subscribe to a new round of funding, or by exploiting superior expertise or access to resources such as knowledge of governance regulations or law.

Agenda power, the power source resulting from actual or perceived control of the agenda, was perceived as being available to them by those Angels who had more board experience or were Chairs, or available to them and others when the Chair of the Board allowed this: “To be honest the chairman who was me, set the agenda and circulated it in advance and never once did anyone seek to add anything”. The most common understanding of this power source was that it was deployed in the wielding of shared power (discussed in Section 7.4.2 below) as ‘power for’, not that it was a power source to be used against them (‘power over’). This echoed Peebles (2010) findings where the passive acceptance of agendas set by dominant actors was normal and unquestioned.

Notwithstanding the fact that the agenda power source seemed to be not well understood by many directors and perhaps not much used, it is very potent latent source of power for those who did have the ‘will and skill’ to utilize it. Control of the agenda can shape the contributions of individuals to decisions or discussions (Bezemer, Nicholson & Pugliese, 2013), and this accords with the ‘content of influence’ component of Pettigrew & McNulty’s (1998) Board Power Framework that allows access to other power sources.

Coercion or force, one of the power sources derived from the literature, was also identified in the interview text. This source sprang from the ability to call on armed security personnel when required, and also from legal, regulatory, and contractual bases, but had an element of oppressiveness, differentiating it from the compliance oriented rule-based power source. An example from the text is the ability to bring action (i.e. use legal coercion) to remove directors from the board, also the ability to fight back: “and to get an injunction from the controlling shareholders holding an extraordinary general meeting to remove myself and the other independent director from the board”. The contractual ability to threaten to fire the CEO by the board was the most common source of coercive power found in the Angels’ narratives. The use of coercive power is further discussed in Section 7.4.2 below.

One of reasons to employ phenomenological analysis in research is that it may reveal meanings or themes of which the interviewees may not be (consciously) aware (Smith & Osborn, 2015). The eighth and final source of power identified in participant interview text was one such theme, discursive power. This is a power source from which even “participants who lack authority or resources can exert power if they are perceived to speak on behalf of a societally important ideal” or if they can “manage meaning by influencing how information is presented” (Purdy, 2012, p.411). In the current neo-liberal economic age, both entrepreneurial activity and investment in up-and-coming businesses with disruptive potential are seen as just such important ideals, and both Angel investors and entrepreneurial founders have influence on exactly what information is presented and how it is presented.

Discursive power was identified in utterances in which all the players knew that a step “had to be taken”, where the right to take it by one side was assumed by both sides, and where the fact that the value of investor wisdom was “worth a lot more than the money [that they had invested]” was accepted without question. The exclusion from certain decisions (that affected them) of those not deemed to have a right to speak or be heard, for example where others in the management team were not consulted about the need for staff layoffs as “the CEO was all we really needed for these decisions”, illustrated that this power source was available to, and used by, investor directors despite that the fact they had not explicitly identified it.

The agenda-setting power source’s sway on the ‘content of influence’ component, discussed above, overlaps with the discursive source of power in an interesting fashion. The ability to control the agenda can lead to discursive effects such as determining who is ‘allowed’ to speak and be heard on certain issues, and with what legitimacy. For example, casting a particular agenda item as ‘compliance with governance best practice’ as opposed to ‘make up of future board’ may intentionally or unintentionally delegitimize the contributions of a relatively young, technically adept but managerially inexperienced founder, and likely dissuade them from making any contribution to the discussion at all.

Findings:

Angel investors are familiar with and rely to a large extent on the power source of experience in their interactions on boards. This can derive from experience in a particular industry, on boards, in startups, or as an investor, and aligns with the popular image of Angel investors bringing experience as well as funding to a startup.

The agenda power source and discursive power source have the potential to interact on boards.

‘Power in numbers’ source can serve to force consensus or agreement, blocking possible conflict.

A power source that emerged from the data was that of non-cooperation. This was available mostly to founder/CEOs. Founders may withdraw their cooperation to regain a feeling of psychological ownership in the venture.

The way that power is experienced by the members of early stage boards generally maps to the model of the Board Power Framework, albeit with a different set of power sources. It is also possible that available power sources in fact determine board roles and tasks to some extent, rather than the converse as given in the model.

7.4.2 What does the way power is distributed across board members mean for the board's strategic and advisory roles?

"Perceptions of power imbalance inevitably lead to feelings of mistrust" (Huxham & Vangen, 2004, p. 173)

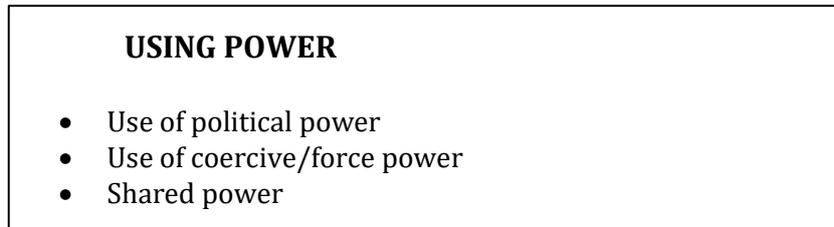


Figure 22 Ways of using power identified in phenomenological analysis

Political power can be thought of as applying skill, and being willing to use a power source to contrive to obtain some advantage or influence (the ‘will and skill’ component of Pettigrew and McNulty’s (1998) Board Power Framework, see Figure 13 above). Political power was used in the main against other members of the board rather than against the founder or CEO. It seemed that the Angels on the board understood that this is where power needed to be wielded more subtly, and that their power (derived from the power sources above) was such that it did not usually require taking active measures to influence those (such as founders and management) perceived to hold less power.

In one case where political power was however used against founders, it served to transmute an inferior power source to one that was more powerful than the source the founders originally had available to them. Here investors managed to convert their ability to contribute to or withhold from another round of funding (access to resources) to power based on rules that allowed them control of finances, despite the founders having a majority shareholding at that time (‘power in numbers’).

The use of political power was reported both in its presence and absence by the Angels, the latter rather wistfully perhaps: “Yeah, I’m not a political player so I wasn’t...I wasn’t counting numbers or whatever”, which resulted in the Angel in this case having his objections to a planned course of action being overridden. On the whole, political power was reported being used by CEOs more often than by

Angels, whether by a campaign of whispers, or by trying to influence decision making by speaking to directors one-on-one rather than in a board meeting. In one case, the CEO used the known dislike of other directors for the Angel director to try and persuade him (disingenuously) to commit to a particular course of action, telling him “I really believe you [...] but the other guys are putting pressure on me to do this”.

The wielding of political power by directors took various forms, from boardroom manoeuvring by an Angel investor: “so I stacked the board with three more directors loyal to me” to a director who had wedged himself into an interim CEO role and wasn’t going to give that up. This last CEO also tried to change the board so that its loyalty would be to him rather than to the investors: “the CEO who came in and glued himself to the seat insisted that he be given the right to choose his own board essentially”.

There were several other mentions of the employment of political power by Angels rather than founders or CEOs in a boardroom. One of the most explicit was by Kyle on the board of EpsilonCo, who, on a board characterised by coalitions and in-fighting, initiated “a bad cop good cop play, by design”, to manipulate other directors into replacing him on the board by another of his Angel syndicate, and for the other directors to also appoint a suitable independent director. The independent director sided with the new Angel director in making changes to decision-making processes (as expected), “but he was their pick, that was part of our strategy”, so the rest of board had to accept the changes.

Political power on the board of the startup companies appeared to match the theoretical model, as its use was conditioned by the components of the Board Power Framework. Not every power source was available to each board member (a simple example being that of ‘power in numbers’), at all times. The content area of influence also varied by director; not possessing a deep enough technology background appearing to be the greatest barrier to influence for Angels, as was not having sufficient business and investment expertise for founders.

The discursive narrative identified through the CDA that involved the wielding of political power was that of ‘boardroom strategy’, which involved talk of various types of boardroom activity designed to improve the position of founders, Angel investors, or other directors. One-on-one conversations and “also quite a lot of more informal meetings and probably not the full cohort of the board engaging between one another”, that is, excluding some from decision-making, was a major theme in this narrative. Deliberate word choices could also serve to wholly or partially exclude others from decision-making by trivialising their opinions, denigrating them, or muting their truth in some way. Examples of talk in this discursive theme included constantly referring to one director as the “lawyer guy” and another as the “empty chair” to minimise the legitimacy of their contribution to decision-making.

Even when a particular power source was available to them, this was not always obvious, nor did directors always avail themselves of it; this corresponds to the will and skill component of the framework. Structural factors such as the number of directors, and whether they were investors, founders or other, were not as obvious a force, but did seem to play some part. The contextual factor that seemed to be most pertinent to the way power worked on the startup boards in this study was that of role expectations (of the director, and of others of them).

When power is discussed in a general context, it is often conceived of as relating to coercion, or being able to force people or organizations to behave in a certain way (an example of ‘power over’), often relating to military, law enforcement or other government action. While few in number compared to instances of political and shared power, there were some text fragments coded to the use of coercive power or force. This ranged from verbal haranguing: “I would say that we browbeat the founder”, with the context seeming to indicate some discomfort at doing that, through implied or direct threats to terminate the CEO’s employment if they don’t listen or meet performance targets, all the way up to having a fired CEO removed from the premises and then installing armed guards at reception to make sure that he did not return.

The Board Power Framework ‘context’ component, particularly board norms and the external legal and social context are important here to understanding when coercive power may be used, and by whom. The power sources drawn upon by those using the power on the startup boards under study included rules-based, experience-based, resources-based as well as force-based power. The power of non-cooperation would also seem to have the potential to force others to use coercive means.

The use of shared power identified in this research is not the collaboration between differing groups of stakeholders with varying degrees of power in a collaborative effort mentioned in Huxham and Vangen (2004), but rather sharing the use of a particular power source between directors. It seemed to be most prevalent in sharing agenda power (‘agenda’ was mentioned 74 times in the interview text), as in many of the boards the agenda was not as strictly controlled by the Chair, or CEO and Chair as might be expected in a more mature business (Peebles, 2010).

In some cases all board members had the opportunity to submit agenda items at will, sometimes in quite an informal manner: “but if something comes up that someone wants to put on it’s a matter of sending a note through to the chair to say, [redacted], can you basically stick this on the agenda cause I’d like to discuss it”; in others the power was not reserved for the Chair’s sole use, but agendas were anyway not often used, or additions to it required the Chair’s permission.

Another expression of the use of shared power (‘consensus’ was mentioned 56 times) on the board was that of adopting a consensus-based decision-making model. Using shared power in this way tends to moderate the availability of power sources such as resource- and numbers-based power, although not rule- or expertise-based power to the same extent.

“Has to be by consensus, absolutely”, “it’s very rare that it’s gone to a vote”, “so we like to have a unanimous decision and if we don’t we try to work to the point where we do have it” are quotes that typify the attitude of Angel directors toward shared power in decision-making, but over-enthusiastic use of consensus can lead to less desirable results (such as procrastination) in decision-making: “if anything, a decision will get deferred pending some additional work”.

In an isolated instance of consensus reflecting political power used by an individual rather than shared power, an inexperienced but influential director on one board insisted that “that every board decision had to be reported as a 100% consensus”, to the point that discussions were problematic unless there was agreement. After this tactic had been shut down by the appointment of an extra, independent director who was seen as credible authority on matters of board process, the Angel director describing these behaviours still preferred a (real) consensus model to be employed: “boards, particularly for an early stage company boards have to be a consensus model, if you have to vote, you have problems”. All but one of the interviewees mentioned consensus at least once during their interview.

Shared leadership was the other expression of shared power identified in the interview text. This appeared in only one case, and concerned leadership on particular issues discussed at board meetings rather than overall leadership. This was interesting as it showed that shared power worked within, as well as across, meeting instances and allowed shared access to the experience and expertise power source. This example was not without a negative aspect however, as the sharing of leadership did not extend to the founder, only the investor directors on the board.

Board roles coded during phenomenological analysis of the text included resource acquisition, the control and monitoring role, and a hands-off approach in addition to the strategic and advisory roles. The strategic role seemed to be divisible into strategy-making, strategic change, and awareness of strategic risk elements.

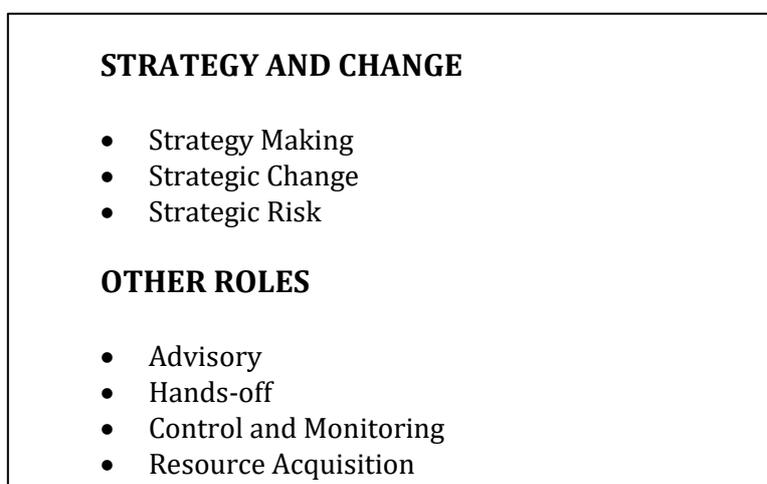


Figure 23 Board Roles identified in phenomenological analysis

An additional role became apparent during the discourse analysis phase: 'representing the investors'. This role of representing those who had invested in the business was quite important to several of the Angels. It was a role that was perceived to entail duties (including fiduciary duties) to other investors, whether or not the Angel had links to them. This narrative seemed to be very much about looking after the investor as is implied by agency theory; against actions by the founder and or CEO contrary to the best interests of the investors, not necessarily of the company itself. This was clearly articulated by Charles, who although not officially representing them, stated that "my duty was always, and I always sought to act in the interests of all shareholders", even when this was against his own interests.

In this board role, there is a natural potential coalition between investors, and if 'power in numbers' is available to them as a power source, either through seats on the board or shares held, then political power may be used to steer decisions to a favourable outcome for that coalition. Where this decision outcome is unfavourable to others, or to the company itself, conflict may arise between the investor faction and others. Such considerations may constrain the set of possible decision outcomes to the point where little is achieved, or sub-optimal decisions are made.

One of the major roles of a board is in the area of strategy (Levrau & van den Berghe, 2006, Ong & Wan, 2008), although the exact form that this involvement does or should take is far from settled (Pugliese et al., 2009). The form that the strategy role takes also varies by context, from parameter-setting only in larger organizations, to establishing the business and setting strategic vision for early stage companies Stiles (2001). Research has also found that in the case of high-technology startups, boards became very involved in making strategic decisions particularly when the TMT had difficulties doing so (Bjornali, Knockaert & Erikson, 2016), and had more involvement in strategy-making than later stage boards in any case (Fried, Bruton & Hisrich, 1998). One research project even concluded that in the case of Angels, these board members spent their efforts in the strategy role in preference to monitoring founding managers (Graebner & Eisenhardt, 2004).

The three areas related to the board's strategic role identified in the interview texts were strategy-making, strategic change, and strategic risk. Many of the Angel directors placed great importance on the strategic role of the board, particularly around strategic change, as "strategy changes as conditions change and technology changes and new competitors arise".

Some of the Angel directors believed that the board of which they were a part had the power to enable strategic change, whether this power resulted from discursive, expertise, or power-in-numbers power sources. Power was important to the way this engagement with strategy by the board played out, as strategic decisions are concerned not only with finding solutions to problems but "tend to be affected by political processes where actors with partially diverging interests attempt to influence their outcome" (Ravasi & Zattoni, 2006, p.1674).

Discursive power derived from the legitimacy of the strategic role of boards *qua* boards: "that's the role of any board, to set a strategy in place [...]. That's their prime function for goodness sake". An interesting example of the 'power in numbers' power source and the 'power over' available to those who have access to it, is the case in which an Angel syndicate invested in a company in order to make a strategic change, from expansion mode to trade sale of the business: "we actually invested in an exit strategy for this particular company".

In another context, one board demonstrated that it had the power to change its own role, where new members brought previously lacking 'will and skill' to use the power of expertise in order to "become more strategic and advisory rather than interfering". This also changed the use of power from 'power over' to 'power to', as the board stopped using power to control management, and started using it to enable strategic outcomes. Power from expertise was also expressed in the confidence of one board to reverse a previous decision and change the strategic course of the company as conditions changed: "the board decides to go back into an area that probably 12-18 months earlier, they'd decided that they didn't want to be in", or in the understanding that a board had to pivot the strategic direction of the company and do something different: "not just sitting around and continually trying the wrong

way”. These are both examples of the types of strategic tasks that McNulty et al. (2011) found could be influenced by power.

Not all strategic change was as well received by the Angel directors, as in the case where the ‘power in numbers’ power source was available to an opposing faction of the board who “took the company in a radically different direction than it had started out”. The use of shared power, enabling a consensus model of strategic decision-making would have prevented the feelings of powerlessness in the face of strategic change.

Not only did the Angels believe the board’s strategic role important, they had spent time thinking about exactly what that role meant. Two aims came to the fore, the first to preserve value for the investors (for example by spinning off a business from a moribund business), or retain value within the company, using whichever power sources were available to them (access to resources or ‘power in numbers’). The second was using the power of experience and expertise available to the board to influence management in the area of strategy, and “guide it [the business] and to provide the advice to set its trajectory up towards the greatest success”.

This type of strategic advice also blended into another of the startup board’s most important roles according to the literature, the service role of advice and resource acquisition (Nielsen et al., 2008). One of the Angel directors clearly articulated the findings of the literature that startup boards sometimes needed to behave almost as extensions of the management team (Minichilli & Hansen, 2007, Zhang, Baden-Fuller & Pool, 2011) when Calvin said “so you really get to cover all the bases because clearly the executive team is very often one or two people and very often inexperienced compared to the board members and the board has a very important, very involved role to play”.

In these service board roles, the power sources of experience and expertise and resources-based power played a central part. While the power source of expertise and experience was available to many directors, and certainly available to all Angel directors interviewed, the will to apply them and the skill to do so in a fashion that dampened resistance to power was also required in order to be an effective advisor to management. This power of board members to influence in an advisory role was

felt strongly by Angels when it took the form of a mentoring relationship: “one has to be a mentor [to the CEO]; one has to offer enough guidance”.

There were a number of instances where the advisory role of the board slipped into managing the company, as was the case when “the Chairman supervised the bookkeeper somewhat to make sure that the books were prepared correctly”. In one case this was a deliberate ploy on the part of the board to counter the power of the CEO, who had access to information about the operations of the company that the board did not (resource-based power). By taking over many of the executive functions, the board used its power from expertise to sideline the CEO and: “[...] put in an office of the CEO which was pretty much the board, the board becoming a quasi-executive as a board”. This same board exhibited a somewhat blurred boundary between its advisory and control roles, where controlling the CEO resulted in the board managing parts of the company so that he could not: “board members end up having to pitch in in various ways”.

Despite these examples, there were fewer fragments of text coded to the board’s advisory role compared to its role in strategy, perhaps because the directors’ perception of relatively greater power resulted in a shared belief that their advisory role was a ‘given’, and that all board discussions and actions ought to be considered learning activities by founders. Related to the advisory role was the discursive theme of superiority, as Angels felt that their status as directors meant that it was incumbent upon them to offer advice and mentoring: “the fact is that one has to be a mentor, one has to offer enough guidance without totally constraining the executive decision making and ability to grow”.

Resource acquisition was the other board service role discussed by the interviewees. Resources are key to the flourishing of a new business, and Angel investors were keenly aware of the role that the startup board needed to play in this area: “if you don’t have the resources, you’ve got to put the resources in to actually achieve it [strategy]”. Whether they were financial resources: “I had to go out and find one more external investor who would also join the board”, and “the angel investors [...], had actually helped the company generate an exit deal with the world’s number one company for what

they did”, or human resources: “we were able to recruit and deploy some really good executives”, the value proposition of Angel investors as board members and investors who would do more than contribute an investment and remotely oversee the company (Ardichvili et al., 2002) seemed to be borne out. This ability to access networks and capital served to re-inforce existing resource-based power when employed by the individual in the service of the company.

Somewhat unexpectedly, analysis of the interview texts also found evidence of director concerns with respect to the control and monitoring role. This is despite the literature suggesting that this was not an important feature of startup boards (Zhang, Baden-Fuller & Pool, 2011, Sánchez, Guerrero-Villegas & Hurtado Gonzalez, 2017), although Filatotchev, Toms and Wright (2006) have suggested that low monitoring in early stage companies transitions to medium monitoring by the time of an IPO (Filatotchev, Toms & Wright, 2006). Although words around strategy (‘strategy’/‘strategic’) were used three times as often as those around control, ‘control’ was mentioned about as often as were advisory words (‘advice’, ‘advise’, ‘advisory’, ‘advisor’) and ‘resource(s)’.

Talk of the control and monitoring role manifested itself in two different ways: around actually controlling and monitoring the founder/CEO, and in bemoaning some lack in the board’s control and monitoring activities. Evidence of actual control and monitoring behaviour included investigating unsavoury rumours about the CEOs behaviour leading to termination, monitoring to check whether “the progress which was being made was true progress”, and adopting “rigorous governance controls that had not previously existed”. Most of the control activities involved the use of the power source of ‘power in numbers’, using superior numbers on the board to keep a founder in check, or rule-based power deriving from contractual obligations or the ability to set policy, another of the tasks that McNulty et al. (2011) identified as being affected by power.

A perceived lack of availability of these power sources, or a perceived inability to influence in the area of control tasks in some boards is one explanation for a board’s inability or unwillingness to operate in this role. When the board was not performing the control and monitoring role to any great

extent, at least two of the Angel investors felt that agency problems may have gone undetected, and that the founder and CEO “could be making the wrong decision for the shareholder base”.

This issue was explicitly noted, and observed to be inherent to early stage companies, by Charles: “I think that’s where the greatest weakness is and particularly when you have angel investors as opposed to a significant venture investor who basically, with the terms of its investment, puts such financial controls and systems in place that the monitoring is a lot easier, in fact it becomes draconian, so you have that problem, but yes, I do think it’s inherent”. One such deficiency in control and monitoring led in turn to the application of extreme efforts at control measures at a later stage: “I felt I’d owed a duty of care to those that had put money into the company not to let these crooks go away and loot it”.

Finally, there were a very small number of text fragments coded to the board’s role as being rather ‘hands-off’ in nature. On one board, this was deliberate, with Linus reporting that the “the new board’s become [...] and more pragmatic and sort of more hands-off”. This coincided with the presence of a very competent operations executive as CEO, with the board trusting the CEO to execute their strategy, as “the operational skillset [of the CEO] makes it a lot easier on this particular board”. This example is interesting, as this level of trust only seemed possible because of the availability of the power source of expertise in the domain of strategy to the board, and a corresponding and complementary absence of availability of this source of power to the CEO.

Two other mentions of a hands-off approach (which seemed to be expressed as the antithesis of a control role) lamented the outcomes of this practice. The first scenario resulted from a former Chair whose background was in large corporate business, with access to a level of governance resources, being unable to translate this experience into a startup company. According to Kyle, he “really left behind not a vacuum, but there really wasn’t any legacy”, and had “not actually created any positive governance at all”. In another case, the board failed to see indications of possible bad behaviour by the CEO and CFO, with Charles explaining “the signs were there and I wish we’d taken it on earlier when it still might have been contained”. These two case illustrate the elements of the Board Power

Framework of directors requiring the 'will and skill' to use power, and also believing themselves to be competent in a particular domain of influence.

Findings:

One power source may be converted to another, stronger, power source by means of the use of political power.

The sharing of power emerged from the phenomenological analysis of the text. This was expressed as the sharing of a power source (most often agenda power), adopting a consensus model of decision-making that neutralized other power sources, and shared leadership on issues in board deliberations.

At least some early stage boards do pay attention to the control and monitoring role, somewhat contrary to both popular opinion of freewheeling startup businesses, and to the academic literature.

A successful hands-off approach by the board, where there was monitoring but no requirement for control was possible where power source of expertise in strategy was available to the board, and not available to the CEO, but where the CEO demonstrated competency in the execution of strategy.

Some Angel investors on Australian startup boards perceive themselves to be relatively powerful in comparison to founders and management. Power imbalances can lead to decreased trust (Huxham & Vangen, 2004).

7.4.3 How does conflict manifest itself during Angel and founder interactions?

“Groups suffering from a negative spiral of task and relationship conflicts are likely to be those who are low in trust” (Choi & Cho, 2011, p. 1121).

In accordance with previous research that suggested that directors don't necessarily view conflict as such, or may label it otherwise due to its negative connotations (Kerwin, Doherty & Harman, 2011), conflict was not mentioned explicitly in interview questions. The sense of this approach was borne out by the fact that the words argue/disagree/conflict were only used a total of six times across all cases. Nevertheless, the Angel directors on early stage boards provided many examples of various types and intensities of conflict in their interviews, ranging from mild annoyance with another director to legal battles and exiting the organization.

Coding of the texts from interviews was initially completed against Jehn's (1995, 1997) Intragroup Conflict Scale (ICS). The data itself suggested that although sparsely coded, there were additional conflict types that could be grouped with, but were distinct from, process conflict, as all seemed to be related to power in some way. This has been labelled as 'power driven conflict', and is included with the other conflict types in Figure 24 below.

There was not as much conflict in evidence as might be expected in recounting a critical incident in a company's life. Although somewhat surprising, this tallies with research that shows investors may not always identify conflict (Kerwin, Doherty & Harman, 2011) or perceive it as being just an expected part of doing business (Yitshaki, 2008) and therefore not meriting much discussion. Another possible explanation is that early stage boards may share Klotz et al.'s (2014) finding of the perception of extreme self-efficacy (the ability of the group to resolve the conflict) in new venture management teams, this self-efficacy acting to moderate the effect of process conflict (Jehn et al., 2008), and therefore rendering it less noteworthy. There was a small amount of evidence of emotional response to conflict (indicating its salience to the individual), largely located in the case of Calvin and GammaCo.

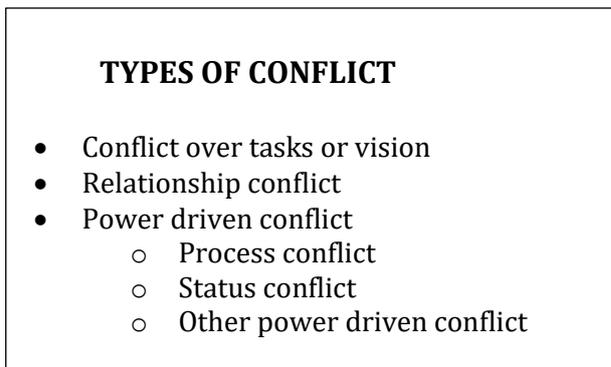


Figure 24 Conflict types (adapted from the ICS)

Task conflict is that conflict that concerns conflicting ideas about the content or scope of a task or decision to be made, and may be either divergent (e.g. generating options) or convergent (e.g. deciding on a solution to a problem). These two variants of task conflicts may follow closely after each other in a harmonious way, such as in these text fragments: “Initially there was a lot of discussion whether it was the correct way”, but eventually “coming to a unanimous decision because it was a good decision”. Often task conflict was perceived by the Angels as positive and leading to good outcomes.

On occasion, task conflict on a board can be merely divergent in nature, such as indicated in this response to a question about the number of meetings that it took to come to an agreed course of action: “Resolve is probably not the right word”. In this case the negative impact of task conflict on emergent states such as trust (Choi & Cho, 2011), on task performance (Bendersky et al., 2010), and on cohesiveness (Jehn & Bendersky, 2003, de Wit, Greer & Jehn, 2012, O'Neill, Allen & Hastings, 2013) was perhaps greater in magnitude than if a mutually acceptable solution had been found. In contexts where trust is low after ongoing task conflict such as this, any further task conflict would increase the amount of relationship conflict experienced (Choi & Cho, 2011), and that appeared to indeed be the consequence in the case of Kyle and EpsilonCo.

In other contexts, spirited and even heated discussions were resolved to the satisfaction of all: “it was a fairly robust discussion in terms of, like I said, the pros, the cons”, without any ongoing rancour evident. This was a board (ZetaCo) that had very low levels of conflict in general, according to the Angel investor, and seemed to enjoy high levels of member interpersonal attraction, contributing to the more positive influence of task conflict in this case.

One tactic that some boards (such as RhoCo and ZetaCo) employed to reduce the possibility of task conflict spilling over into the more seriously deleterious relationship conflict type was that of avoidance. Charles reported that initially, “when anything was really polarising we split the difference and deferred because we all have to get along”, so avoiding possible negative consequences, but this proved not to be a sustainable strategy for that board.

As would be expected, the importance of the decision at hand to the board could also play a part in determining how task conflict was experienced on the board of the startups that were part of this research (Jehn, 1997). Will acknowledged this fact: “they would have tended to be more the major decisions where you would have dissonance perhaps rather than consensus”. The importance of the decision personally to any of the individuals involved was also an interesting factor in the way that task conflict over strategy played out, with Calvin going so far as to exit the company in response: “I had a very strong vision where I wanted that company to go and I was so disappointed when it was taken in a direction that I didn’t want to be involved with it”.

The task conflict that seemed to exercise the investor directors most was that which had an economic or financial focus. In one example, conflict about the repayment of loans from an executive to the company was pre-emptively resolved by the executive concerned withdrawing a sum of money from the company bank account, turning task conflict into an intense relationship conflict tinged by moral outrage. In another, an unresolved conflict about the size of bonuses to be paid to management also took on a relationship focus.

One director reported ongoing conflict around where the board’s attention should be: “I wanted to focus on selling the company and I wasn’t able to persuade the others”. This ongoing disagreement

resulted in severe relationship conflict, which in turn led to another instance of investor exit from the venture: “we had a major falling out with the board as result of which I left [the board and as an investor]”.

Relationship conflict is that set of non-task-related disagreements about personal issues. Relationship conflict was present in the interview texts, but often did not assume great importance to the Angels. Many of the text fragments coded to relationship conflict described irritations and personal dislike, and these were often put aside for the sake of the working relationship. “I still think he was the best guy for the job, but I just didn’t like him” is a good example of this attitude. The prevailing stance could be summarised as Angels being able to work on boards with people that they didn’t like, and generally not caring if others they worked with didn’t like them.

Exceptions to this relaxed response were however present in some Angel narratives, and related to (amongst others) envy, mistrust, and personal dislike, and were occasionally quite petty disagreements: “everyone said well that’s not fair, you’re an investor, you shouldn’t get any more, and I said well so is he”. In one case, the founder and technical visionary of the company exhibited several challenging personality traits, and these were the cause of relationship conflict within the board team, and also in the wider employee group: “self-destructive, self-defeating behaviours which really impacted team dynamics”.

Perhaps the most serious instances of relationship conflict were accompanied by a lack of trust due to political manoeuvring (integrity-based trust): “the entrepreneur was clearly playing people off against each other”, or because of unethical behaviour: “they’re [...] starting to look like the crooks they are”. These anecdotes seemed to complement the de Wit, Greer and Jehn’s (2012) finding that relationship conflict negatively impacted trust, and Choi and Cho’s (2011) finding that relationship conflict also leads to increased task conflict, which in a low trust environment, leads to yet more relationship conflict. Due to the interdependent nature of task and relationship conflict (Heemskerk, Heemskerk & Wats, 2017), in these cases of severely low trust environments there seems to ever more conflict, and no resolution.

This vicious cycle of conflict could be one explanation for the fact that the level of relationship conflict sometimes appeared to increase over time: “in the course of this first six months, I went from having a very cordial and collegiate relationship with the other board members to having a very fractious one”. Those Angels who reported that the level of relationship conflict on their board had actually improved over time, also reported that this was a step change after some change in the membership of the board.

Phenomenological analysis of the text unearthed two additional types of conflict that Angel investors appeared to experience on boards, which have been grouped together with Jehn’s (1997) process conflict type, the conflict over how tasks are allocated and how they should progress through the team, as they all seem to be related to power dynamics in some way. This group, labelled ‘power-driven conflict’ additionally encompassed: status conflict, efforts to protect or advance relative status within a group (Bendersky & Hays, 2012); and power conflict, conflict over control and dominance within a group (Keller, 2009).

In the text collected for this research project all examples of process conflict seemed to be related to the exercise of power: “the CEO should not be negotiating the execution, the exit negotiations” and “but then they said well clearly we should get the guy who was a lawyer to go and negotiate the deal” are examples. Process conflict has many negative effects, including increased relationship conflict (Bendersky et al., 2010), and decreased levels of trust (de Wit, Greer & Jehn, 2012), although it was not clear in this case whether low trust in others’ competence in fact engendered process conflict, or whether the converse was true.

There were a few conflicts that appeared to be about attempts to manipulate relative status. The first example is where an interim CEO, who had until that point been one of a number of directors (but not an investor), “insisted that he be given the right to choose his own board”, thereby asserting his authority and elevating his status. In another case, when some existing investors were not willing to make a small top-up contribution to funding, the Angel investor and a potential new source of

investment demanded that “they step down from the board”, thus preserving the status of directors as those with serious commitment to the business.

The last type of conflict uncovered in the Angel’s recounting of their experiences was conflict around asserting dominance or control. Power conflict manifested itself in interactions between the investors and the CEO, where the former prevailed: “the chairman persuaded the CEO that he ought to agree as well”, and also where ultimately the investors failed to assert dominance: “one can agree to something, but if you agree to something with the metaphorical gun to your head, how much do you really agree to it”. Conflicts by means of legal action were also about asserting dominance or control, whether by the founder seeking to remove directors, or more obliquely, a consultant hired by the founder and fired by the board suing individual directors, possibly a type of power conflict-by-proxy.

In the case of institutional venture investors (VCs), research has found that conflict between entrepreneurs and investors on the board is inherent to this relationship, and investors’ involvement in strategy tended to increase the levels of task and relationship conflict experienced (Yitshaki, 2008). The Angel investors interviewed certainly seemed to view task conflict as just being part of doing business, a ‘difference of opinions’ which could work to the advantage of the company. In Will’s words, “just because there is difference of opinions, that’s actually demonstrating that there is diversity of skills, strengths, experience, networks”. The exception to this accepting attitude to task conflict seemed to be when the conflict concerned a difference of opinion about their own investment in the company, or remuneration for management.

A sense of moral superiority was a discursive theme identified in the CDA phase, and seemed to have some part to play in the way that Angel investors constructed their identity as Angels. The discourses of moral superiority and that of elitism seemed to aid them in tolerating both task conflict and non-major relationship conflict in their board roles. Word choices often also seemed to be designed to bolster this attitude of being a ‘responsible adult’ who must show forbearance with youngsters, with language conjuring images of naughty schoolboys: “then take their ball and go” and “but after a while the dog ate my homework doesn’t cut it”.

Findings:

Task conflict was for the most part well tolerated and even encouraged by Angels, relationship conflict tolerated when minor, process conflict less so. An Angel identity as the ‘adult in charge’ may play some part in this acceptance, the discourse of superiority normalizing behaviours on both sides of a conflict.

The importance of the decision personally, to any of the individuals involved, as well as to the board group was also an interesting factor in the experience of task conflict. The discursive narrative around the theme of ‘investor exits’ illustrates the importance to investors of financial returns, notwithstanding the existence of various non-economic motivations of Angels.

Angels reported conflict that appeared to be status and power oriented, in addition to the classic conflict types of task, relationship and process. Process conflict also seemed to be experienced as a consequence of power dynamics.

When levels of trust were low, the level of relationship conflict was high. When competence-based trust was low, process conflict accompanied it.

7.4.4 How can this be interpreted in terms of importance to the board's task performance and group cohesiveness?

“conflict decreased trust, respect, and cohesion within the group which in turn decreased the team's long term viability (e.g., team member satisfaction and members' intent to remain in the group)” (Jehn et al., 2008).

Despite a multiplicity of suggestions for components of cohesiveness and the way in which conflict may affect them (Bollen & Hoyle, 1990, Chang & Bordia, 2001, Beal et al., 2003), there is (some) more agreement about the concept of cohesiveness, and general agreement around the effect of conflict on cohesiveness if not its exact mechanisms. Beal et al. (2003) contended that of these components (in increasing order of effect), interpersonal attraction, group pride and task commitment were the most significant. This supported to some extent the finding of Chang and Bordia (2001) that cohesiveness has both task and social components. All three types of conflict (task, relationship and process) are thought to decrease cohesiveness by acting on one or more of these (or other similarly defined) components of cohesiveness according to Jehn et al. (2008) and de Wit, Greer and Jehn (2012).

There is general agreement in the literature that, at least in some cases, task conflict can have a positive effect on task performance (e.g. Jehn & Bendersky, 2003, DeChurch, Mesmer-Magnus & Doty, 2013), particularly when measuring performance by quality of decision-making (Bailey & Peck, 2011, de Wit, Greer & Jehn, 2012, Heemskerk, Heemskerk & Wats, 2017, O'Neill et al., 2018). Relationship conflict on the other hand, along with process conflict, is usually held to have negative consequences for task performance (de Wit, Greer & Jehn, 2012).

While research has shown that entrepreneurs do not perceive task conflict (conflict about the content of a task or decision) as positive, VCs in fact view task conflict favourably (Zacharakis, Erikson & George, 2010), and for the most part the Angel investors who participated in this study seemed to agree with the viewpoint of these institutional venture investors. It has been posited that VCs have a

relatively benign opinion of task conflict in part because they view it as a necessary part of the relationship, and in part because they feel that they have relatively more power, so do not feel as threatened by conflict (Zacharakis, Erikson & George, 2010).

The Angel investors in this study also perceived themselves to be relatively more powerful than the founders, though not necessarily more powerful than other investors on the board, and believed that task conflicts were a normal and necessary part of being on a board of an early stage company. They are therefore similar to VCs in their general attitudes to task conflict. This mismatch of perceptions between entrepreneurial founders and Angel investors of the valence of task conflict could lead to an increased level of task and relationship conflict.

Task conflict when ongoing can however morph into undesirable consequences such as relationship conflict (Bendersky et al., 2010), loss of cooperative behaviours (O'Neill, Allen & Hastings, 2013), lowered confidence in partner cooperation (Zacharakis, Erikson & George, 2010), and a lack of desire to stay on the board, that is, group member commitment and identification (de Wit, Greer & Jehn, 2012). As Charles put it: “there’s only so much head-butting you can do with a founder executive”.

As we have seen, ongoing or excessive task conflict can also have a negative impact on trust (de Wit, Greer & Jehn, 2012), thus leading to increased levels of relationship conflict (Choi & Cho, 2011), leading in turn to lower levels of board effectiveness (Petrovic, 2008). However it has also been shown that decision making teams such as boards, whose performance is largely measured in decision quality, can benefit from some level of task conflict (de Wit, Greer & Jehn, 2012), and other research has found that task conflict positively correlated with task commitment, one of the most important contributors to cohesiveness (Behfar et al., 2011).

Extremely low levels of task conflict are equally as deleterious to task performance as they are beneficial to cohesiveness, due to the dangers of board falling into ‘groupthink’, particularly when there are also low levels of relationship conflict (Hambrick, Werder & Zajac, 2008). Only one of the boards in this study can be said to have had generally low levels of all types of conflict, but there was

no indication that groupthink was a problem, as task conflict was reported to be present but episodic in nature.

Belonging (along with morale) is a component in cohesiveness according to Ensley, Pearson and Amason (2002); this component overlapping with concepts of group identification (de Wit, Greer & Jehn, 2012), and given as group pride and interpersonal attraction by Beal et al. (2003). Relationship conflict is posited to decrease group member identification, i.e. how much a member identifies as belonging to the group (de Wit, Greer & Jehn, 2012).

This seems to hold true for the experiences of Angel investors on Australian early stage boards, as those Angel directors who reported high levels of relationship conflict were less likely to report feelings of belonging, either for themselves or others on the board. In several cases, the level of relationship conflict increased between the time period described by the beginning of the narrative and that described at the end, and this was tracked by a corresponding lessening of feelings of belonging. In one case, that of Anon, after a rise in relationship conflict culminated in a boardroom coup, the feeling of belonging was restored by replacing directors: “I stacked the board with three more directors loyal to me”.

Some of the Angels’ reporting of conflict was dissimilar to the majority of their narratives by nature of intensity of response, or intensity of the conflict, and was coded to separately as shown in Figure 25 below.

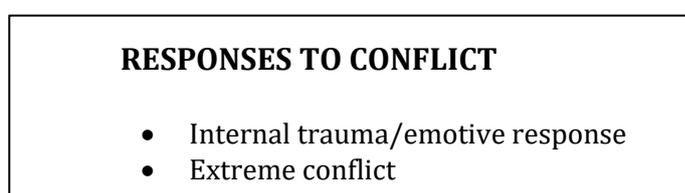


Figure 25 Conflict responses coded in IPA

In some cases, Angels spoke about their response to conflict in very emotive terms. These responses ranged from fairly casual, almost incidental remarks about the board environment being “toxic” or “stressful” while recounting stories about conflict, to very keenly felt, almost traumatic responses.

Examples of these emotive responses came mainly from Calvin's interview, where he spoke of "a very traumatic step", a "confronting period" and "traumatic change", and where some of the founders were "very upset", although Charles also spoke of being weary of conflict: "fighting gets old".

The other text coded to a traumatic response to conflict was in Will's narrative, where he spoke of the founder's "behaviours at all levels I suppose you could say. I guess it's almost like a grief cycle". In addition to conflict with the board, the founder's emotional responses also caused wider problems in the company. Jehn et al. (2008) found that such negative emotionality (e.g. frustration and anger) in relationship conflict amplified its negative effects, that is, it decreased trust, respect, and cohesiveness to a greater extent than otherwise would have been the case. The finding in the current research project of Angel's general tolerance for conflict, mentioned above, seemed to be supported by the small number of text fragments coded to an emotional response to conflict.

Another response to conflict that emerged from the text was the escalation of everyday conflict to a more extreme manifestation. This was characterised by the use of physical or legal force by one or more parties to the conflict. There was only one instance of resorting to force, where armed guards were stationed in a business, following the forced termination of a CEO. Relationship and task conflict escalated to termination, and after threats were made, escalated to hiring armed security personnel. Most of the escalations to more extreme conflict however involved instances of legal proceedings, between board directors or particularly between directors and founders or associated parties.

It is obvious that such escalations almost inevitably result in weakened task performance and board cohesiveness, as focus on tasks is lost and relationships are strained or irreparably damaged. Extreme conflict may also result in a loss of belief that the board can resolve conflict (resolution efficacy), increasing negative effects of process conflict (Jehn et al., 2008), and possibly leading to a tendency to avoid conflict in future. Avoidance of task conflict can lead to the negative consequence for task performance of groupthink, and avoidance of relationship conflict can also have deleterious effects on

board task performance and lead to “cognitive blindness” (Heemskerk, Heemskerk & Wats, 2017, p. 233).

Findings:

Angel investors were similar to VCs in their attitudes to and tolerance of task conflict.

Angel investors valued task conflict to a point, as being useful for board performance. This could tip over into irritation with the other party, possibly tending to relationship conflict.

Relationship conflict was not seen as impacting performance until it was more intense than mere dislike or irritation.

In several cases, the level of relationship conflict increased between the time period described by the beginning of the narrative and that described at the end, and this was tracked by a corresponding lessening of feelings of belonging.

In terms of the components of cohesiveness, Angel investors did not experience either task conflict or minor relationship conflict as affecting task commitment, group pride or interpersonal attraction in a negative fashion. Major relationship conflict or power-driven conflict was however experienced as negatively affecting interpersonal attraction, as well as group pride and task commitment.

Relationship conflict seemed to decrease the levels of trust, and where trust was lost, relationship conflict levels appeared to increase as a response.

7.5 Research Question 2

How does this differ from the Angels' perceptions of board effectiveness, and from their perceptions of the meanings of interactions for board effectiveness for early-stage boards?

7.5.1 How do Angels perceive the effectiveness of the board on which they serve?

Angels' perception of board effectiveness was elicited both by asking their opinion directly in the interview: "How do you feel about the board's effectiveness? - that is, the ability of the board to achieve its objectives?", and also by asking questions about the components of board effectiveness, that is, task performance and cohesiveness. These latter questions are explored more fully in Sections 7.5.2 and 7.5.3 below. Additionally, the IPA process uncovered four themes related to the board's effectiveness within the interview text. These themes are around board skills, decision-making, process and task performance (see Figure 26 below).

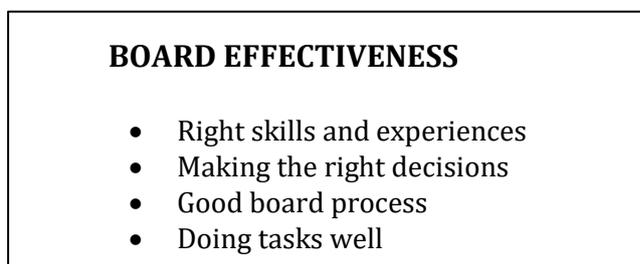


Figure 26 Sub-themes of Effectiveness coded in the IPA

In answering the direct question as to whether they thought that their board was effective or not, the majority of the Angels interviewed appeared to perceive this solely through the lens of the board's task performance (or lack thereof), rather than relating to interpersonal factors. Only one of the Angel investors mentioned interpersonal attraction as a factor in board effectiveness, although even that was expressed in terms of performance potential. Calvin responded to the question by saying that "the people involved had themselves vast board experience from other listed companies and considerable enterprises so it was a very strong board".

Performance related responses cited goals: "we set some objectives in the parent company and we gave it good shots at achieving them, some of them we did, others we didn't", and company survival: "I think that that good feeling was justified, amazing that we survived, amazing that we were making money with good reason for hope". This Angel's opinion of the board's effectiveness turned negative

later when malfeasance was uncovered, when there “was failure of oversight to achieve all that could be achieved”.

Some responses were non-committal or ambivalent: “This was a board that was reasonably effective”, others quite negative in tone: “it was completely dysfunctional, its ability to be effective was, very quickly apparent that it could not be effective”. At least one of the Angel directors, Will, had thought on the question of the effectiveness of their board, and found it to be effective, but able to improve:

“it’s demonstrated itself to be an effective board and I guess you know, in both, you know in times of abundance and in times of little. Is it the perfect board? – I don’t know any of those. Is it a high functioning board? - I don’t think that I’d go so far as to say that it is, but it’s not I think yet gotten itself to a position where it’s had the ability to be a high functioning board”.

The importance of having the right skills and experience on the board was noted by the Angel investors, both in presence and absence. Having “incredibly experienced” businessmen on the board was one aspect of an effective board according to Calvin, while Will observed the utility of having the “diversity of skills” and the right knowledge available on the board in order to tackle various issues: “the right party umm that has the relevant strengths in that area [...] to be responsible for bringing that forward”. Will also articulated the importance of using, not just having, knowledge and skills, as some board members who were relatively inactive in discussions or decisions did not contribute greatly until there were issues “in their area of expertise or influence”.

Sometimes the right skills were required on the board to complement or counter a lack in the skills of the CEO, and a lack of skills in fellow board members did not go unnoticed either. One director, labelled “the empty chair” by Milo, seemingly “didn’t have anything to contribute”, while Kyle characterised a fellow director as not feeling that “he knew anything about the business, industry, the stage of business”. In the first case, despite the ‘empty chair’, the Angel still judged the board to be somewhat effective, in the second, an overall lack of the right skills matched a board that the Angel found to be extremely ineffective.

Another ‘effectiveness’ theme identified in coding the interview texts was that of ‘making the right decisions’ (the quality of decisions, not the decision-making process *per se*). Text fragments coded to this theme included some very positive indications that performance was the principal lens through which Angels viewed the effectiveness of their boards: “I think it was handled the best way it could be handled” and the view that this decision was “taken based on the best evidence before the board” and that that was typical. Another Angel reinforced this view of the generally good decisions taken by his board, saying: “we devised some plans and executed those plans and they worked pretty much”, and another: “it absolutely drove home the fact that it was a correct decision that was being made”. In the case where the effectiveness of the board had been perceived as “dysfunctional”, not one text fragment was coded to a good quality decision.

Talk of having good board processes was another indirect indicator of the way that board effectiveness was perceived by Angels. Examples include where Angels report that the board “always talks to management”, where board meetings always follow an agenda and directors had access to a set of financials, and where the “board adopted rigorous governance controls”. ‘Board processes’ was however also the only sub-theme of Angel’s perceptions of effectiveness where interpersonal dynamics came in to play, where for example, the board “always tried to navigate through on a fairly sort of collegial basis”, and “all directors had a chance to contribute” to discussions.

‘Doing tasks well’ was the final sub-theme that emerged around effectiveness in the IPA. As may be expected given the apparent view that performance is the primary driver of board effectiveness, Angels who experienced the board as performing its tasks well also perceived a higher level of overall board effectiveness. Several of the text fragments in this theme portrayed the board’s tasks as ‘steering’ the company. When asked about the board’s task performance responses ranged from equivocal: “at the moment I think yes [doings tasks well] but I wouldn’t categorically say yes for the long term” to the very positive “I think strategically the board performed at a very high level, in terms of providing advice and guidance, I think it was also excellent”.

The discourse analysis revealed the centrality of the possession of knowledge, skills and experience to the startup board discourse, and the way that this perhaps crowds out some of the interpersonal factors in speaking about board effectiveness. An effective director is one who brings directly useful task-related knowledge, skills and experience to the board. A director who does not have these attributes, however smart, collegial, able to ask the difficult questions and reframe issues for clarity, is seen as a luxury on a startup board.

This attitude seems in part driven by the view that founders and CEOs are still in their formative years with respect to running a business, and needed guidance. Utterances such as “[he] succeeded in this business because he had skills from the board that...took advantage of his very um very significant skills in sales” and “very often [execs are] inexperienced compared to the board members and the board has a very important, very involved role to play” downplayed the skills of others and legitimated a parental role for the board.

Discourse analysis also threw up the keenly felt vulnerability of the Angel directors when the management selectively controlled access to, or deliberately withheld information. This again highlights the significance of control and monitoring to the Angel director’s worldview, and to the pre-eminence of task performance over ‘being there’ for the founder and their management team to help them when required.

Findings:

Board effectiveness was perceived by many of the Angels as being related to the board’s task performance. This was evident in response to direct questions about board effectiveness and in experiences recounted in answer to other questions.

Perceiving a board as having the right skills and experience served as a rough guide to the overall judgement of effectiveness (i.e. effective or ineffective), but did not seem to be a reliable indicator of the degree of board effectiveness perceived by the Angel director.

Startup board discourse frames effectiveness as possessing the right technical skills, knowledge, experience, and access to resources, and subordinates other personal attributes and interpersonal skills.

7.5.2 How do Angel investors see their interactions with founders affecting the board's ability to make decisions, guide strategy and provide advice?

Making decisions is a major component of a board's tasks, since the output of its activities is almost wholly cognitive, and in not inconsiderable part, determinative. Boards often make decisions under conditions of uncertainty, where the 'correct' decision, if it exists, is only apparent after the fact (Tajeddin et al., 2012). van Ees, Gabrielsson and Huse (2009) claimed that it is precisely the combined skills and experience of directors, obtained outside of the board and discussed as being perceived by Angel directors to be of such importance in Section 7.5.1 above, that scaffolds board decision-making under these conditions. This is claimed to hold particularly true of strategic decisions.

A relative difference in level of expertise between board members or between board members and founders or CEOs leads to the situation where those whose expertise is recognized can wield far greater influence in decision making. This seems true no matter the actual level of expertise; it is only the relative difference between levels of expertise that is important (Tajeddin et al., 2012). This would lead to the conclusion that if the Angel investors on the board found through their interactions with either founders or management, or with other directors, that those others had lower levels of expertise, the Angels would likely exercise a far greater influence than would otherwise be the case.

This conclusion is in accordance with results from the CDA in the current research project, where the discourse of experience included talk of in-group experience and out-group inexperience. It performed a normative role by conditioning expectations and assumptions of the level of experience and expertise required to run a successful startup, and who might possess this: "certainly the founder CEO and the family office guy really didn't know what they were doing, but that was okay, it's not unusual in that circumstance". The narrative of the 'board as ultimate arbiter' identified as part of the discourse of superiority, reserving 'real' decision-making powers for the board, also supported the view of Angel directors' perception of expertise differentials driving influence on decision making.

The phenomenological analysis of the interview text resulted in three sub themes of the ‘perceptions of decision making’ theme being identified. These were around decision-making processes, whether voting featured in board decision-making, and whether dissenting voices were listened to, as shown in Figure 27 below.

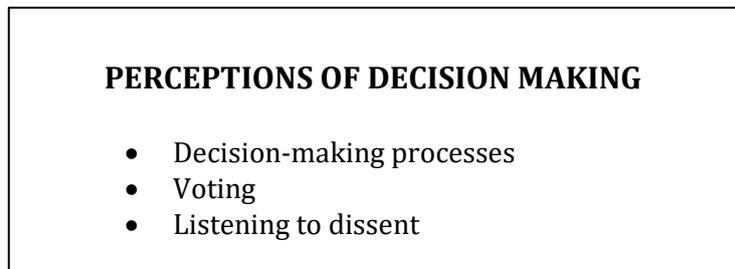


Figure 27 Decision-making Themes

The text coded to good and bad decision-making process related both to Angels perceptions of these processes e.g. “decisions taken based on the best evidence” or “a lot of that was one-on-one conversations”, in addition to talk that reflected process that is normally considered by practitioners to be good, e.g. “we took on board their [management’s] feeling”, or bad e.g. “when anything was really polarising, we just split the difference and deferred” in a board context. The story of one-on-one conversations occurred in several of the interviews; however the valence of judgement of this by the Angel investors varied from negative through neutral to quite positive.

It is usual, and considered to be good board practice, to involve all directors in a discussion, and decisions to be made at board meetings (see for example the guidance offered by one Australian public sector agency for directors of its portfolio SOEs, DELWP (n.d.)), so this variance in judgements was an interesting result. Excluding some board members or management from discussions in this way also has the potential to engender process and relationship conflict, both deleterious to performance in decision-making.

As noted previously, Angel directors tended to have a reasonably high level of tolerance for task conflict, and thus view this type of conflict as being positive for performance in decision-making. Calvin voiced this clearly: “there was obviously a lot of discussion as it should be” and “important

decisions needed to be debated in detail”. Founders, management and other board members did not always share this appetite for detailed discussion, for example in Milo’s account where he wanted to study details and discuss them in order to come to a decision, which “generated a fair bit of tension”.

The majority of Angel investors favoured a consensus approach to board decision-making, the majority of the time. Even Kyle, the Angel who considered his board to be profoundly broken, believed that “if you have to vote, you have problems”. Oliver supported this desire for consensus rather than voting due in part to the small size of the board, stating that if there is no unanimous decision, they “would try to work to the point” where they did. One Angel director said that voting was extremely rare, and that the board would rather defer a decision than resolve it by means of voting.

Other Angels were more equivocal about voting as a means of decision-making, finding it necessary on occasion, for example where both the majority view and the dissenting view were strongly held, or to be acceptable for more minor decisions. The board of one company, RhoCo, which had been used to consensus decision-making, found itself making nearly all decisions by vote, because of faultlines that had formed between the founder and investors due to loss of trust, and developing relationship conflict between the parties.

Despite having a high tolerance for task conflict, all but one Angel preferred a consensus approach to decision-making whenever possible. Will however, viewed having to vote as a sign that there was “diversity of skills, strengths, experience, network” on the board, and noted that directors would often “come back to the middle” in any case.

There was one text fragment explicitly about listening to dissent because of the individual’s standing, and one company where dissent was neither listened to, nor appreciated. However, paying attention to dissenting voices is an integral part of debates and discussions around decision-making, so the willingness of Angels to engage in these activities meant that dissent was at least allowed to be aired in most cases.

Discourse analysis pointed to the fact that the views of the Angel investors interviewed for this research, on the effects on decision-making of interactions between founders and themselves, was shaped by their discursive practices around boards. The discursive theme labelled 'board deliberations as ultimate arbiter' for example, revealed an attitude of board primacy in the realm of decision-making, and the lack of space for other participants, or at least the 'preliminary' nature of their involvement. Instructing the CEO to "put together a proposal document, as to the pros and cons and whatever and bring it up at the next board meeting and we'll make a decision" was a clear illustration of the way this played out in organizational life.

A further clue as to the understanding of Angels of the respective roles of the board and founders and management in decision-making, and which shaped the advisory role, was provided by the narrative of paternalism. Interactions between investor directors and others could be characterized as being between teacher and student ("but after a while the dog ate my homework doesn't cut it"), or parent and child ("there's had to be application of tough love"), which would seem to colour views on the place of the respective parties and the legitimacy of their views in decision-making and performing the board's advisory role. This, along with conviction in the board's primacy, would also serve to buttress the belief that task conflict was something not to be taken to heart, or regarded in too negative a light, and therefore treated as entirely normal and impersonal during decision-making.

The general 'superiority' sub-theme of the 'superiority' narrative was also an indicator of the way that Angels perceived their interactions with founders and management, and how these influenced the advisory role. The generally greater expertise and experience of the Angels compared to founders and CEOs meant that Angels felt both qualified and entitled to advise and mentor them. The mentoring role was taken very seriously by several of the Angels, including its boundaries: "the fact is that one has to be a mentor, one has to offer enough guidance without totally constraining the executive decision making".

In one case, that of TauCo, mentoring was reported to be actively resisted by the founder. The Angel involved, Will, eventually persuaded the founder to accept mentoring from an outside party, illustrating the importance of mentoring to this Angel.

The Angels' perception of their own power and of the concomitant lack of power of founders and CEOs affected the way they approached their strategic role, in addition to affecting decision-making via increased tolerance of task conflict. The critical discourse analysis identified a sub-theme of the 'superiority' narrative, that of 'strategy superior to operations', that worked to legitimate the board's speaking on strategy, and to elevate such strategic talk and relegate operations to a subordinate position. Mapping this to the Board Power Framework (Pettigrew & McNulty, 1998), the Angels drew from the power sources of experience and expertise, and from discursive power that allowed them to operate in the strategic domain (content of influence), in order to control or guide strategy, which they felt was a major function of a startup board.

Findings:

Angel investors on startup boards have a tolerance for task conflict that leads to them seeing detailed discussion as being a decision approach of choice. This choice may not always be shared by others.

Despite having a high tolerance for task conflict, Angel investors prefer consensus decision-making in most circumstances. Relationship conflict on small boards may make this difficult however.

The narratives of Angels seem often to be structured in a way so as to cast them in the role of the parent, and the other (founder/CEO) in the role of the child, or alternatively teacher and student. Angels have the wisdom from experience, the money, and the knowledge and skills on their side, and they assist the learner to flourish and grow. In these narratives, disagreements and dislikes need to be pushed through in order to guide management in achieving success.

7.5.3 How do Angels understand the effect these interactions have on the social cohesiveness of the board?

The literature of psychology tells us that the most important components of social cohesiveness in groups are task commitment, group pride, and interpersonal attraction (Beal et al., 2003). Phenomenological analysis identified several themes in the general area of personal feelings and relationships on boards: admiration of others in the group, belonging, pride in self as part of group, trust, and harmony due to perceived lack of conflict (see Figure 28 below). Beal et al.'s component of 'interpersonal attraction' maps to admiration of others in the group, 'group pride' maps to pride in self as part of group as well as belonging (to the group). The Angels' perception of their board's task commitment was asked of them directly.

Task commitment can be defined as the individual or group attraction to the task, or enjoyment of it, and/or belief in its importance (Beal et al., 2003). Answers varied from the statement that investors on the board were committed because they had "a lot invested in making it work", task commitment being demonstrated by the board's willingness to split the company to preserve value, to wanting the company to progress while progressing to an exit, to the board members staying involved to retain value in the company through several cycles of success and business challenges.

The Angels interviewed did not comment to any extent on the way that board interactions affected task commitment, but they did seem to view it through the lens of committing to use the resources available to them for the benefit of the company. Resources included knowledge, skills and experience as well as financial resources and the benefit of their networks.

In the case of Kyle and EpsilonCo, Kyle went as far as engineering his own removal from the board and contriving the appointment of a replacement from an investor syndicate once his relationship with other board members became untenable, in order to maximise the chances of company (and investment) success. When commitment faded (signified by passing on a small investment top up round), as happened with some investors in RhoCo, they were made to resign their board seats by the remaining investors.

A number of Angels recounted a change in their perceptions of the board and its members over time. Sometimes this change accompanied or closely followed the critical incident they described, for others it seemed to be an accumulation of events and conflicts that caused the change in the way that they felt: *(interviewer) so what changed there in terms of your feelings about being part of that group?* “Ugh, the issue that came up revolved around the CEO’s compensation and the CEO made what the other director and I thought were excessive compensation demands”.

This tallies with findings from the literature that conflict affects cohesiveness (Jehn et al., 2008), and particularly for the Angels interviewed for this research, a greater amount of relationship conflict (either in number of events or intensity) did seem to accord with a change in perception of cohesiveness, and less relationship conflict with unchanged perceptions. Any changes to the Angels’ perceptions of components of cohesiveness because of the effects of task conflict were not clear.

In one case perceptions went from negative to positive; in all others sentiment became more negative, mostly from positive to negative. Kyle’s perceptions of the board of EpsilonCo however progressed from mildly to very negative. These results point to the fact that directors’ perceptions of cohesiveness on boards, especially the components of group pride and interpersonal attraction may change over relatively short periods of time, and therefore a longitudinal approach to studying them may be more suitable than at a single point in time (for example, via survey). It has previously been established that other similar behavioural elements such as engagement need to take changes over time into account (Bezemer, Nicholson & Pugliese, 2018). This approach may be particularly helpful for practitioner evaluations of board effectiveness.

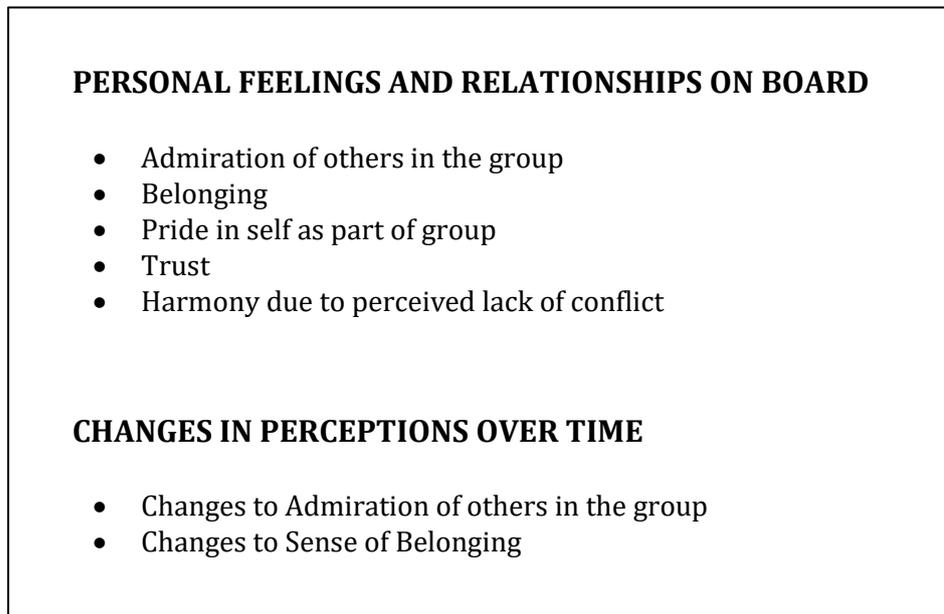


Figure 28 Elements of Social Cohesiveness

Admiration of others on the board was the most obvious sub-theme coded in this theme, in both its presence and absence. Admiration for fellow directors ranged from fulsome: “they had a wonderful board”, or more reserved: “oh they’re good”. It was also readily apparent when this admiration was lacking: “[he] just didn’t have anything to contribute” and “the CEO was lying to us”.

These latter two quotations offer indications of the ways board interactions may affect Angel directors’ perceptions of the social cohesiveness of the board on which they serve. A lack of experience and skills in a director, a lack of desire to apply these, or reluctance to conform to the board’s effort norms was perceived very negatively by some Angels, particularly as Angels identify as knowledgeable and experienced contributors, who stand ready to offer their skills and resources to the business.

Malfeasance or perceived malfeasance or unethical behaviour on the part of a founder or CEO was also viewed in a very negative light by several Angels. Whether this was merely manipulative: “the

entrepreneur was clearly playing people off against each other”, or “malfeasance of some sort”, the Angel’s admiration for the individual involved declined markedly or evaporated completely. There was no direct evidence for these interactions causing a corresponding fall in level of the Angel’s pride in belonging to the group, although depending on the exact nature of the interactions, the current level of their pride in the group, and which actors were involved, such a change to pride in being a member of the board may be easily imagined.

The concept of pride in oneself as part of the group was never explicitly mentioned by the Angel directors, but was occasionally signalled in utterances such as “hey this board stuff is easy, this is the way it’s supposed to work” and “... in my time it’s been good...from what I can gather it’s a lot different from what it was previously”. Accordingly, it is difficult to draw inferences about the effects of board interactions on this component of cohesiveness. What was apparent though, was that even among those Angels who did not appear to exhibit any group pride, there was pride in the contribution that they individually were making, and the effort that they were putting in to their board work. For example, Charles thought that despite other problems on the board of RhoCo, his own interactions were always “outcome determinative and positive”.

Angels’ perceptions of belonging were coded more often than pride. This included both their feelings of belonging, and perceptions of other board members’ feelings of belonging. This was another area where there were changes over time for some Angels. In one case, the desire of the Angel to sell the company drove a wedge between him and the rest of the board, who he felt were still happy to belong to the board long after his own feelings of belonging had dissipated because “it’d outlived the fun bit”.

Oliver was one Angel who experienced a feeling of belonging both before and after the incident that he chose to relate. He also believed others felt the same way because: “we’re on an exciting journey with this new company so I’m pretty sure they feel good about remaining on the board”. Calvin too believed that the board shared his (initial) positivity about belonging to it when asked whether others felt the same way: “yes, I am sure”. Linus’ view of the sentiments of the rest of the board was

however somewhat qualified: “they’re happier than they were twelve months ago”. Will’s view of his own and other directors’ feelings of belong were rather equivocal, as a response to the many task, relationship, and process conflicts between the board and the founder that had tempered the enthusiasm of all parties.

Another way that malfeasance or manipulative behaviour on the part of the founder or CEO affected cohesiveness was by lowering levels of trust. As per the finding in Section 7.4.4 above, low levels of trust were often accompanied by an increase in relationship conflict, another negative influence on cohesiveness. The literature tells us that it is reasonable to assume that where trust is low, task conflict is more likely to morph into relationship conflict (Choi & Cho, 2011), which further decreases the level of trust. In all cases in the current research, a loss of trust noted by the Angel was accompanied by a loss of interpersonal attraction, and thus cohesiveness.

A final category identified during the IPA was that of ‘harmony due to perceived lack of conflict’. After being identified in the first two cases, it was subsequently coded only once more, in the negative, i.e. disharmony due to the presence of high levels of conflict. In the first two cases the Angel investors perceived harmony and the positive effect that had on the boards working environment. They did not appear to be concerned about the effect this may have had on decision-making quality however. In the last case in which this sub-theme was coded, conflict “sowed the seeds of us versus them so to speak” and led to a division between investors on the one hand and founder and CEO on the other.

Findings:

A higher level of relationship conflict (either in number of events or intensity) seemed to coincide with a change in perception of cohesiveness over time, and a lower level of relationship conflict with unchanged perceptions.

Angel directors’ perceptions of cohesiveness on boards may change over relatively short periods of time, and these perceptions may change valence from positive to negative, or negative to positive, or vary in intensity.

For some of the Angels interviewed, interactions that identify another director as lacking in the required skills and experience, or lacking the desire to put them to use for the company are perceived as being particularly harmful to the interpersonal attraction component of group cohesiveness.

7.6 Summary of Findings

7.6.1 Findings from demographic data

Only one of the Angels when asked about preferred exit mentioned the idea of an IPO (Initial Public Offering). Others were unanimous in their preference for a trade sale. This would seem to be in contrast to the general excitement about taking a company to IPO in the entrepreneurial ecosystem in Australia.

An interesting finding to emerge from one interview was that not all Angel investors were happy to be labelled as such, despite matching the definition criteria. This may be useful for future studies in terms of recruitment of research participants.

7.6.2 Consolidated findings from phenomenological and discourse analyses

- 1) Angel investors are familiar with, and rely to a large extent on the power source of experience in their interactions on boards. This can derive from experience in a particular industry, on boards, in startups, or as an investor, and aligns with the popular image of Angel investors bringing experience as well as funding to a startup.
- 2) The agenda power source and discursive power source have the potential to interact on boards.
- 3) 'Power in numbers' source can serve to force consensus or agreement, blocking possible conflict.
- 4) A power source that emerged from the data was that of non-cooperation. This was available mostly to founder/CEOs. Founders may withdraw their cooperation to regain a feeling of psychological ownership in the venture.
- 5) The way that power is experienced by the members of early stage boards generally maps to the model of the Board Power Framework, albeit with a different set of power sources. It is also possible that available power sources in fact determine board roles and tasks to some extent, rather than the converse as given in the model.
- 6) One power source may be converted to another, stronger, power source by means of the use of political power.

- 7) The sharing of power emerged from the phenomenological analysis of the text. This was expressed as the sharing of a power source (most often agenda power), adopting a consensus model of decision-making that neutralized other power sources, and shared leadership on issues in board deliberations.
- 8) At least some early stage boards do pay attention to the control and monitoring role, somewhat contrary to both popular opinion of freewheeling startup businesses, and to the academic literature.
- 9) A successful hands-off approach by the board, where there was monitoring but no requirement for control was possible where power source of expertise in strategy was available to the board, and not available to the CEO, but where the CEO demonstrated competency in the execution of strategy.
- 10) Some Angel investors on Australian startup boards perceive themselves to be relatively powerful in comparison to founders and management. Power imbalances can lead to decreased trust (Huxham & Vangen, 2004).
- 11) Task conflict was for the most part well tolerated and even encouraged by Angels, relationship conflict tolerated when minor, process conflict less so. An Angel identity as the 'adult in charge' may play some part in this acceptance, the discourse of superiority normalizing behaviours on both sides of a conflict.
- 12) The importance of the decision personally, to any of the individuals involved, as well as to the board group was also an interesting factor in the experience of task conflict. The discursive narrative around the theme of 'investor exits' illustrates the importance to investors of financial returns, notwithstanding the existence of various non-economic motivations of Angels.
- 13) Angels reported conflict that appeared to be status and power oriented, in addition to the classic conflict types of task, relationship and process. Process conflict also seemed to be experienced as a consequence of power dynamics.
- 14) When levels of trust were low, the level of relationship conflict was high. When competence-based trust was low, process conflict accompanied it.
- 15) Angel investors were similar to VCs in their attitudes to and tolerance of task conflict.
- 16) Angel investors valued task conflict to a point, as being useful for board performance. This could tip over into irritation with the other party, possibly tending to relationship conflict.
- 17) Relationship conflict was not seen as impacting performance until it was more intense than mere dislike or irritation.
- 18) In several cases, the level of relationship conflict increased between the time period described by the beginning of the narrative and that described at the end, and this was tracked by a corresponding lessening of feelings of belonging.
- 19) In terms of the components of cohesiveness, Angel investors did not experience either task conflict or minor relationship conflict as affecting task commitment, group pride or

interpersonal attraction in a negative fashion. Major relationship conflict or power-driven conflict was however experienced as negatively affecting interpersonal attraction, as well as group pride and task commitment.

- 20) Relationship conflict seemed to decrease the levels of trust, and where trust was lost, relationship conflict levels appeared to increase as a response.
- 21) Board effectiveness was perceived by many of the Angels as being related to the board's task performance. This was evident in response to direct questions about board effectiveness and in experiences recounted in answer to other questions.
- 22) Perceiving a board as having the right skills and experience served as a rough guide to the overall judgement of effectiveness (i.e. effective or ineffective), but did not seem to be a reliable indicator of the degree of board effectiveness perceived by the Angel director.
- 23) Startup board discourse frames effectiveness as possessing the right technical skills, knowledge, experience, and access to resources, and subordinates other personal attributes and interpersonal skills.
- 24) Angel investors on startup boards have a tolerance for task conflict that leads to them seeing detailed discussion as being a decision approach of choice. This choice may not always be shared by others.
- 25) Despite having a high tolerance for task conflict, Angel investors prefer consensus decision-making in most circumstances. Relationship conflict on small boards may make this difficult however.
- 26) The narratives of Angels seem often to be structured in a way so as to cast them in the role of the parent, and the other (founder/CEO) in the role of the child, or alternatively teacher and student. Angels have the wisdom from experience, the money, and the knowledge and skills on their side, and they assist the learner to flourish and grow. In these narratives, disagreements and dislikes need to be pushed through in order to guide management in achieving success.
- 27) A higher level of relationship conflict (either in number of events or intensity) seemed to coincide with a change in perception of cohesiveness over time, and a lower level of relationship conflict with unchanged perceptions.
- 28) Angel directors' perceptions of cohesiveness on boards may change over relatively short periods of time, and these perceptions may change valence from positive to negative, or negative to positive, or vary in intensity.
- 29) For some of the Angels interviewed, interactions that identify another director as lacking in the required skills and experience, or lacking the desire to put them to use for the company are perceived as being particularly harmful to the interpersonal attraction component of group cohesiveness.

7.6.3 Propositions after analysis

The following propositions were derived from the findings detailed in Section 7.6.2 above. They may be tested in future research into the boards of startup business in Australia and elsewhere. The model predicted propositions 1 through 4b. The results of qualitative analysis suggest that the following may in fact better represent lived experience.

Proposition 5a. Informal venture investors on Australian early stage boards perceive board effectiveness primarily through the lens of task performance.

Proposition 5b. Startup board discourse frames effectiveness as possessing the right technical skills, knowledge, experience, and access to resources, and subordinates other personal attributes and interpersonal skills.

Proposition 6a. Informal venture investors perceive cohesiveness as having a positive effect on board task performance, but do not perceive any positive effects of cohesiveness directly on board effectiveness.

Proposition 6b. Informal venture investors perceive very low (only) board cohesiveness as having a negative effect on both task performance and board effectiveness.

Proposition 7a. Angel investors do not perceive relationship conflict as impacting performance until it is more intense than mere dislike or irritation.

Proposition 7b. Informal venture investors perceive relationship conflict within the board as having negative effects on board cohesiveness through lower levels of interpersonal attraction, sense of belonging and task commitment.

Proposition 7c. When the level of relationship conflict increases over time, this is tracked by a corresponding decrease in feelings of belonging by the Angel director.

Proposition 8. Informal venture investor directors on early stage boards in Australia perceive their roles to include a significant amount of control and monitoring in addition to the strategic,

advisory and resource gathering roles (contrary to previous findings, e.g. Zhang, Baden-Fuller and Pool (2011)).

Proposition 9a. The informal venture investors in this study perceive themselves to be relatively more powerful than the founders, though not necessarily more powerful than other investors on the board.

Proposition 9b. Angels are more similar to VCs than to entrepreneurs in their views on conflict (especially task conflict) on the boards of early stage companies, in that they a) expect it and b) have a greater tolerance for it, and view it more benignly than do entrepreneurs.

Proposition 9c. Informal venture investors have a preference for consensus-based board decision-making over voting, despite a tolerance of task conflict.

Proposition 9d. In Angel investor discourse, Angels are cast as the parent, and founders as children, making task conflict and mild relationship conflict less impactful on the Angel, and legitimating the advisory role.

Proposition 10a. Boards in different contexts will have different sets of power sources available to them.

Proposition 10b. Available power sources may influence which tasks a board performs, in addition to board roles and tasks influencing the availability of power sources (as predicted by Proposition 1 above).

Proposition 10c. Informal venture investors are familiar with, and rely to a large extent on the power source of experience in their interactions on boards. This can derive from experience in a particular industry, on boards, in startups, or as an investor, and aligns with the finding that Angel investors seek to bring experience as well as funding to a startup (Morrissette, 2007).

Proposition 11. A climate of trust and respect in the boardroom is strongly influential in the way that power and conflict are experienced on startup boards, as moderators of negative effects on cohesiveness.

CHAPTER 8 CONCLUSION

8.1 Introduction

“Given that a key characteristic of business angels is the post-investment role, there is surprisingly little research on the relationship between angels and entrepreneurs” (White & Dumay, 2017, p. 206).

This final chapter provides a summary of the findings of this thesis. It considers these findings in terms of their contribution to knowledge in the fields of corporate governance, where the thesis adds to the understanding of early stage venture boards, conflict processes on boards, power dynamics on boards, and the role of venture investors on startup boards; of entrepreneurial enterprises and informal investors in them; and of the various and competing discourses of entrepreneurialism, boards, and investors.

Chapter 8 examines this thesis’ contributions to knowledge in from the perspective of its contribution to the literature, to methodology and to practice. Additionally, actionable recommendations for governance actors and practitioners are provided in order that they may be used to enhance the effectiveness of the board(s) with which they are associated. A later section of the chapter discusses the limitations of the study, and future work that can address some of these limitations. A further agenda for research that could build on and expand the work of this study is also considered.

This study has examined an under-researched aspect of entrepreneurial organizations, that of the interpersonal interactions between the founders and management of startup companies, and the Angels investors on their boards, many of whom were successful entrepreneurs in their own right. It has then applied the lived experiences of these interactions to illuminate some of the darker corners of the ‘black box’ of the startup board and its effectiveness.

8.2 Contribution to Knowledge

“We find it remarkable that relationship conflict is so often ignored in research on processes within boards. Forbes and Milliken (1999)—although they made use of the distinction of Jehn (1995)—left relationship conflict out of their model of board processes” (Heemskerk, Heemskerk & Wats, 2017, p. 255)

The research in this thesis has made a contribution to knowledge in four ways. Firstly, it has contributed to the theoretical literature of corporate governance, of entrepreneurial enterprises, of conflict and of power dynamics. Secondly, this thesis has contributed to the methodological literature in the area of boards and of the use of critical discourse analysis as a method of data triangulation in this domain, and as a novel approach to understanding informal venture investors.

In addition, this thesis has contributed to practice by uncovering or making explicit certain attitudes, practices, and outcomes, the understanding of which will be of use to those involved in startup boards, or in advising on appointments to them. To this end, actionable recommendations have been presented in Section 8.3 below. Finally, this thesis has provided guidance on a future research agenda which may further add to the body of knowledge about boards of directors and the companies they govern, which has been described in Section 8.4 below.

8.2.1 Contribution to Literature

The influential model of board effectiveness published two decades ago by Forbes and Milliken (1999) included task conflict as a process that could influence the components of board effectiveness, task performance and cohesiveness. The authors did not appear to include the other conflict types detailed in Jehn’s research findings (Jehn, 1995, Jehn, 1997) in their considerations. Later work has pointed to the wide-ranging effects (generally negative) of relationship and process conflict on processes and states that are influences on team performance and especially cohesiveness. A number of these effects were captured in the literature review for this thesis, and presented in Table 1 above.

This research has contributed to the theoretical literature by showing how Forbes and Milliken's model can be extended to include both process and relationship conflict, and deriving propositions synthesised from the results from the group, organizational, and board literature that could be tested in future research (see Section 8.4 below) to support and justify this. The model has been extended to predict that relationship conflict has a direct negative effect on cohesiveness, and an indirect negative effect on both cohesiveness and on task performance through its effect on effort norms.

The extended model also predicts that task conflict, where it is extreme or long-lasting, is predicted to negatively affect interpersonal attraction and lead to relationship conflict, thus negatively affecting cohesiveness. An extension of the model to include process conflict on early stage Australian boards predicts that this type of conflict has a negative direct effect on task performance as substance is overlooked in favour of discussions about who will perform tasks or how they will progress through the group, and on cohesiveness, and additionally an indirect negative effect on both cohesiveness and on task performance through its amplification of the negative aspects of any task conflict.

A further contribution to the literature has been made by this thesis as it has also extended the model of board effectiveness to include board power relations. The extended model predicts that the way that power works on early stage boards in the Australian context influences the levels and types of task conflict, affects the willingness to use knowledge and skills, and shapes effort norms. Power dynamics thus influence the level of board effectiveness through task performance and cohesiveness.

This thesis offers a response to the White and Dumay (2017) call for new research on the relationship between entrepreneurs and Angels by providing a richer understanding of the way that informal venture investors perceive their experiences and interpersonal interactions, and of the way that these affect effectiveness on the boards of early stage Australian businesses. This research responds by providing new understanding of intra-board interactions in the areas of conflict, power, consequences of these processes for board effectiveness and decision making and the climate of trust and respect within the boardroom. It also provides new insight into the way board roles are perceived by the directors of startup companies, and of the way that discursive elements can condition and legitimate

certain attitudes toward conflict and effectiveness and the relationship between founders and Angel directors more generally.

Perhaps the most useful contribution to knowledge in the area of conflict is the novel finding that Angel investors on boards expect task conflict to be a feature of board interactions, and have both a higher tolerance for it and view it less negatively than has been found to be the case for entrepreneurs but in a similar fashion to VCs in previous research by Zacharakis, Erikson and George (2010). This thesis offers a number of related insights in the area of Angel experiences of task conflict.

The first of these is that Angels' tolerance of task conflict may lead them to prefer detailed discussions or debates as an approach to decision making, which is not always understood or well received by others. Secondly, despite this tolerance for task conflict, a consensus approach to decision-making is preferred (i.e. a preference for high levels of task conflict while discussing an idea or issue, with levels falling until consensus is achieved). In addition, Angel investors in this research did not experience low to moderate levels of task conflict as having any negative effect on the components of cohesiveness, and saw it as being of value to task performance.

A second group of findings in the area of conflict has resulted in contributions to knowledge via new understanding of the way that informal investor directors experienced relationship conflict, and their perceptions of how that conflict influenced board effectiveness. Angel investors appeared not to perceive relationship conflict at low levels to be a problem for task performance, not considering it problematic until it was more intense than mere dislike or irritation. When they did perceive negative effects, it was to board cohesiveness through decreased levels of interpersonal attraction, feelings of belonging (a component of group pride) and task commitment. It is possible that the discursive narrative of superiority, where Angels identify as 'adult supervision' may play some part in the level of tolerance of both task and relationship conflict.

This study revealed several aspects to Angels' perceptions of the effects of conflict on board cohesiveness. Task conflict and minor relationship conflict was not felt to be deleterious to any of the components of cohesiveness (task commitment, group pride and interpersonal attraction), but

relationship conflict at higher levels seemed to affect either components of cohesiveness or cohesiveness in general in the experience of the Angels. Where the level of relationship conflict increased over time, a corresponding decrease in feelings of belonging (an element of group pride), was perceived by the Angel director.

A change (increase) in the level of relationship conflict on the board over time appeared to coincide with a change (decrease) in the perception of cohesiveness over that time. Of practical importance is the observation that a subsequent decrease in levels of relationship conflict did not change perceptions of cohesiveness, that is, deleterious effects are not undone in the same time period. The time periods in which perceptions of cohesiveness change are relatively short; this finding also has practical implications.

Another contribution to the literature of startup boards and informal venture investors that this thesis makes is in the field of power dynamics on startup boards as they are experienced by Angels. Importantly, analysis of the texts revealed that the informal venture investors in this study perceived themselves to be relatively more powerful than the founders, though not necessarily more powerful than other investors on the board. There are two corollaries that attend to this finding. It has been posited in the case of VCs and founders that this power differential results in task conflict seeming less threatening to the more powerful, and is therefore an explanation for a greater tolerance of it (Zacharakis, Erikson & George, 2010). However, power imbalances can also lead to feelings of mistrust amongst board members (Huxham & Vangen, 2004), the consequences of which are undesirable, and are discussed further below.

It is perhaps not altogether surprising that the current research found that the boards of the Australian early stage companies in this study had a different set of power sources available to them than those given for more mature British businesses in Pettigrew and McNulty (1998). What follows from this is the proposition that boards in different contexts therefore seem to have different sets of power sources available to them. What did not accord entirely with the findings in Pettigrew and McNulty (1998) was that the power sources available to a board may influence which tasks a board is able to perform

or chooses to perform, in addition to the board roles and tasks influencing the availability of power sources as identified in the literature. This also appears to be a novel result to be further tested, and contributes to the literature on power in boards.

The emergence as a result of phenomenological analysis of non-cooperation as a power source, available apparently mostly to founders, was an additional contribution to the understanding of power dynamics on boards. With respect to informal venture investors, they seem to be familiar with, and rely to a large extent on the power source of experience in their interactions on boards. This power source can derive from time spent working in a particular industry, board service, experience at senior levels in startups, or as an investor in early stage companies, and aligns with the prevalent representation of Angels as sufficiently experienced in business to be able to help founders and companies to success.

In terms of Angels' perceptions of board effectiveness, this thesis has contributed several findings of note. Firstly, that Angel investors on Australian early stage boards perceived board effectiveness primarily through the lens of task performance, in preference to a combination of task performance and cohesiveness. Cohesiveness was perceived to have a positive effect on board task performance, but they appear not to have perceived any positive effects of cohesiveness directly on board effectiveness. At the other end of the effect scale, only very low board cohesiveness seemed to be understood as having a negative effect on both task performance and board effectiveness.

Another contribution of this thesis is to the literature around startup companies and their board roles. Angel directors on early stage boards in Australia perceived their roles to include a meaningful amount of control and monitoring in addition to their strategic, advisory and resource gathering roles. This appears to run contrary to the results of previous research (Zhang, Baden-Fuller & Pool, 2011). One possible explanation for this variance in roles is that board roles are more contingent than is generally realised, and thus the structural characteristics of the organizations that were investigated in the UK study were sufficiently different in terms of knowledge and skills on the board, ownership

stake of directors, and stage in the business lifecycle in addition to location of the companies, to account for this discrepancy in results.

In accordance with the literature on trust and respect in groups in general and boards in particular (Huxham & Vangen, 2004, Bailey & Peck, 2011, Choi & Cho, 2011), this research found that a climate of trust and respect in the boardroom influenced the ways that power and conflict were experienced on startup boards. While it found no evidence that trust served to moderate the negative effects of power and conflict on cohesiveness in the startup board context though, the results of this research agreed with previous findings that relationship conflict seemed to decrease the levels of trust, and where trust was lost; relationship conflict levels appeared to increase as a response.

When the competence-based element of trust, being able to trust someone to be able to perform a task or role, was low, process conflict accompanied it, and this seemed particularly harmful to the interpersonal attraction component of group cohesiveness. Task conflict of an ongoing nature, even when somewhat trivial (e.g. constant “butting heads”), could also have a negative impact on trust and respect. Where this is the case, theory predicted that further task conflict could increase the level of relationship conflict (Choi & Cho, 2011), and findings from the research in this thesis confirmed that to be the case for at least some boards in the Australian startup context.

A final set of contributions to the literature resulted from the novel use to startup board literature of discourse analysis. Analysis of interview texts revealed that the discourse of startup boards conditions an understanding of board effectiveness that is framed in terms of individuals and their technical business skills such as finance, knowledge of the industry or market segment, possession of deep and broad experience, and ability to access resources and networks for the benefit of the company.

This discourse entirely subordinates other personal attributes and characteristics such as leadership, the ability to ask the right questions, or moral integrity, and devalues inter-personal skills. Startup board discourse therefore seems to construct the effective board as a group of individuals rather than a coherent unit, and one peopled by technocrats. The possession of ‘people skills’ is a distant second in importance. This hyper-rational conception of the effective board is seemingly at odds with the stated

desire of Angel investors for consensus decision-making, and requires further investigation for a more complete understanding.

Also emerging from the discourse analysis was an example of a space contested by two discourses. Resisting the discourse of entrepreneurs' narrative that they are the masters of their own destiny, Angels investors own discourse seemed to cast entrepreneurial founders as school children, some bright, some less so, but all requiring guidance from a parent or teacher; the role in which the Angels cast themselves. This narrative worked to legitimate the advisory role of the Angel investor on a startup board, and also may provide an explanation for the reason that the impact of task conflict and mild relationship conflict was perceived to be less severe by Angels than by entrepreneurs.

8.2.2 Contribution to Methodology

There have been few examples of research that use discourse analysis to investigate what happens inside the 'black box' of the board, Ng and De Cock (2002) and Carroll, Ingley and Inkson (2017) being exceptions to this, with only the Ng & De Cock paper applying critical discourse analysis; seemingly none have applied critical discourse analysis to startup boards, despite this approach being previously employed in entrepreneurial research (Hjorth & Steyaert, 2004). This thesis also seems to be the first study to use this method in triangulating data subject to phenomenological analysis in board research in order to enrich the findings resulting from a relatively small number of source texts.

This thesis has therefore contributed novel methodological approaches to board literature, which have proven to be of use in surfacing interesting and important findings about the experiences and perceptions of Angel investors on startup boards, as well some possible explanations for why these might be so, derived from their worldviews. The extra level of analysis has also engendered potential accounts for the reasons that the experiences of Angel directors and the workings of startup boards do not always correspond closely to findings generated in other organizational contexts. It has answered the question posed in an associated conference presentation by the author as to whether there is a

place for a critical approach in board research into startup boards, in the affirmative (Wildenauer, 2017).

8.2.3 Contribution to Practice

Several findings of this research are of practical importance, because they a) aid in understanding how certain actors experience interpersonal process, b) suggest certain cultural modes for startup boards in order for them to be the most effective, or c) suggest certain structural considerations when forming or changing a board, or creating internal processes for implementation by Chairs.

In the area of power dynamics, the power source of ‘power in numbers’ whether this be numbers on the board or shareholdings, can be used as a power for collaboration, where it acts to enforce a consensus approach and as a blocker of conflict. This has implications for majority groups on startup boards who want to include minority interests to further the company’s interests, rather than form adversarial coalitions. Contributions to practice were also made in the area of sharing power, including the concept of the shared use of a power source (not sharing power *per se*) that emerged from the data, most often the sharing of agenda power; the ability to neutralize some power sources available to directors (e.g. that of experience) by the imposition of a consensus model of decision-making; and the incidence of shared leadership (serially, by means of turn-taking) on issues in board decision making.

Further contributions to practice have been made by this thesis in the understanding of the way the reality of startup board roles in Australia may differ from theoretical norms. In the lived experience of some of the Angels interviewed for this research, the board’s control and monitoring role assumed a levels of importance and activity not predicted by the literature. Moreover, they pointed to failures or insufficiencies in this role as contributors to later malfeasance or unethical behaviours. A recommendation to board practitioners deriving from this finding has been included in Section 8.3 below. It was also found that control activity, but not monitoring, could be reduced in the specific

circumstance of the board having high levels of strategic expertise, the CEO low levels of strategic expertise but high levels of operational expertise and a willingness to operationalise strategic intent.

In the area of improving understanding of the ways that Angel investors experienced and understood conflict, this thesis has contributed several findings. Firstly, the tolerance that Angel investors exhibit to task and minor relationship conflict may contrast with the preferences of other board members and those reporting to the board. The view that robust discussion is the best way to address issues can lead to lower levels of trust and respect in the boardroom, and occasionally result in task conflict becoming the more deleterious (to effectiveness), relationship conflict. A view to the practical actions recommended as a result of this finding can be found in Section 8.3 below.

In terms of relationship conflict, this thesis has contributed the potentially valuable insight for founders and CEOs of early stage ventures that Angels seem not to be perturbed by low levels of this type of conflict, and did not appear to see it as negatively impacting task performance until it had progressed beyond mere irritation or dislike. Angels were found to be very task focussed, and were not particularly concerned if they did not like, or were disliked by, other board members or the CEO unless that escalated to higher intensities. However, where relationship conflict did take hold, the elapsed time between the onset of the conflict and the perceived damage to interpersonal attraction and thus cohesiveness was short, a practical consideration for Chairs in determining a response to this type of conflict.

The finding of the coincidence of low levels of competence-based trust and harmful process conflict discussed in Section 8.2.1 above also has implications for practice. Investors and others on the boards without extensive experience in startups, a relevant industry, or as venture investors were harshly judged by Angel directors as to their competence. This finding may assist founders and board advisors when they seek to form a board, or if they are in the fortunate position of choosing between a number of investors for funding with expectations of a seat at the board table. The finding that the power source of experience is well used and understood by Angel investors serves to reinforce the notion that experience matters in the board effectiveness of startups.

This study found that the Angels interviewed tended to view board effectiveness largely through the lens of task performance. The practical implications of this are that startup boards may judge their own performance solely through this lens and neglect important interpersonal factors and processes that are part of, or important to, board cohesiveness. The reasons for any lack of effectiveness of the board may thus go undiagnosed. Startup boards may therefore also overlook the importance of norms of behaviour, including effort and conflict norms, and board practices to address deficiencies in these norms, such as conflict resolution processes. Recommended actions for startup boards to mitigate these problems are found in the Recommendations section (8.3) below.

A final contribution are the propositions and findings from this thesis, which could be fashioned into a survey instrument to aid practitioners in better understanding the way that their boards, or those boards that they advise, work with respect to power, conflict, task performance and effectiveness.

8.3 Recommendations

The findings of this research project suggest a number of recommendations in order to provide practical guidance for advisors, founders, and Angel investors in the Australian startup company space, to enhance the effectiveness of boards in this economically important and innovative category of companies. Other inputs to the recommendations have been derived from previous research findings in the literature, although these have in the past not often been translated into matters of concern to practitioners. Many of these suggestions are considered anyway to be good practice for corporate boards, but have perhaps been dismissed as too formal, or as unwanted overhead for startup companies. Findings from literature combined with the findings from this research project (s 7.6.2 pp289-291) suggest that, to the contrary, boards and founders of startups would be advantaged by paying attention to the recommendations presented below.

The literature has suggested that startup boards perform fewer tasks in the control and monitoring role than they do in other roles e.g. advisory or strategic (Zhang, Baden-Fuller & Pool, 2011), although these results were obtained from a study of UK companies whose directors may not have had a direct investment in the business. The finding (Finding 8) from the the lived experiences of the Australian Angel investors, that at least some early stage boards do pay attention to the control and monitoring role, however suggested that control and monitoring tasks were felt to be important for success of startups.

R1. Boards of startup companies should not neglect the control and monitoring role of the board.

Inattention to this role could result in unethical behaviour or even malfeasance on the part of management and/or founders remaining undetected or proceeding unchecked.

This project's findings showed that Angel investors were similar to VCs in their attitudes to and tolerance of task conflict (Finding 15) and that Angel investors on Australian startup boards have a tolerance for task conflict that leads to them seeing detailed discussion as being a decision approach of choice (Finding 2). The literature tells us that this choice is not necessarily shared by founders, as

task conflict is not viewed as favourably (Zacharakis, Erikson & George, 2010). Moreover, task conflict has been shown to have negative effects on team trust and respect (Jehn et al., 2008).

R2. Angel investors on startup boards should work towards easing the levels of task conflict for other members of the board, as this may improve overall trust and boardroom respect.

Angels could temper their approach and find less challenging ways to ensure that all their questions are answered in sufficient detail. Angel board members could for example, create a template that is required to be completed for all non BAU (business as usual) issues and items for decision brought to the board, and commit to reading these before board meetings. This would then allow for enough time to explore the more complex aspects without excessive time pressure, or putting management in the predicament of having to answer detailed questions without notice.

Non-executive directors could then have an in-camera session without the presence of founder or management (anyway considered good practice) to debate an issue or decision further if required. Any decision or resolution could be then added to the minutes by the Chair.

Similarly, their unease with task conflict at board level needs to be addressed by founders. Another finding from this project is that experience, knowledge and skills are felt to be vastly more important than any personal qualities a board member may have (Finding 23), so being prepared to debate ideas is key. Founders should also seek complementary skills in Angels to be appointed to the board especially in light of another related finding is that a high level of complementary skills between founders and Angels may allow the board to be comfortable with a less controlling approach to governance (Finding 9).

R3. Founding entrepreneurs should be prepared to have their ideas challenged by Angel investors in the boardroom, even to the extent experienced when they initially pitched their idea or company to investors.

Founders should be prepared to ‘let-go’ enough to allow for mentoring and advice to be of use to them..

Conducting self-appraisals, usually annually, is considered be good practice for boards in more mature organizations with secretariat support, but may be overlooked by the boards of startups. Given the findings of this research with respect to levels of conflict, available sources of power and their use, the way effectiveness of a startup board is perceived by Angel investors, and how these interpersonal dynamics affect cohesiveness and thus board effectiveness, such evaluations would seem useful (Findings 5,7,9,10,13,20,23,24,27,29). These appraisals need not be overly complex or burdensome however, but should include an examination of the interpersonal aspects contributing to board effectiveness, not just issues of task performance or director competences in business, to help the board understand its effectiveness.

R4. Board self-appraisals should be conducted annually by the boards of early stage ventures.

Examples of items for board members to contemplate include the level of relationship and process conflict on the board and the resolution processes available for dealing with these, the commitment of directors to the task of governing the company, feelings of belonging to the group, perceptions of the trust and respect climates, and how the management or the executive directors perceived their level of power compared to that of the non-executive directors (as a large imbalance can lead to trust issues).

The first of the findings listed in s. 7.6.2 speaks to the importance of, and familiarity with, the power source deriving from experience to Angel board members. This power source allows them to feel able to contribute to strategy and decision-making in the best interests of the organization. As Angel directors also tend to dismiss inexperienced directors as ineffective, or non-contributing, which can result in damage to the interpersonal attraction component of cohesiveness, and thus effectiveness of the board (Finding 29), experienced Angels are better accepted as directors.

R5. Angel investors without significant experience gained in a relevant industry sector, or in startup businesses, or as venture investors, should not seek or accept board appointments to early stage boards.

The requirement for experience also extends to the Chair of a startup. Not only for the domain-skills required of all directors, but so that they may set in place a positive governance regime and standards, norms and processes important to a startup board's effective functioning (see R7 below). Many startup founders and some investors are inexperienced at board level, and having an experienced hand at the tiller will avoid some of the issues with conflict as well as contributing to the knowledge and skills vital to the effectiveness of the board and its perceived effectiveness by directors.

R6. The board of an early stage company should seek an experienced Chair.

This study has confirmed the deleterious effects that relationship and process conflict (and unfettered task conflict) can have on task performance and cohesiveness on early stage boards (Findings 16,18,19,20). Research by Jehn et al. (2008) showed that having open conflict norms for task conflict is useful during ideation and debate, but leads to relationship conflict post decision-making, as all directors should abide by the board's decision. The Chair has an important role in helping a startup board be as effective as possible, by setting standards and norms for dealing with conflict

R7. A startup board should have open conflict norms (the acceptability of airing any conflict within the group) for task conflict, and closed conflict norms for relationship conflict.

The Chair should not allow the airing of relationship conflicts (i.e. closed norms should be enforced) during board meetings (Jehn et al., 2008), as this exacerbates the negative effects of relationship conflict. Neither though, should the Chair ignore or avoid dealing with this type of conflict, but ensure that resolution processes are both in place and understood by all board members. The damage caused to board cohesiveness by relationship conflict appears to be not easily undone.

The final recommendation for practitioners stems from the findings around the consequences of relationship and process conflict (Findings 14,20,27), which have a negative effect on board cohesiveness. A higher level of perceived resolution efficacy (the perception of the board that the board is likely to be able to resolve the conflict) has been shown to have a moderating effect on process conflict in particular (Maltarich et al., 2018), with this type of conflict decreasing the cohesiveness of the group and negatively impacts the ability of the board to perform its tasks.

R8. Chairs of startup boards should ensure that appropriate norms and processes are in place for dealing with conflict.

Chairs should ensure that processes for dealing with conflict are focussed on the welfare of the board as a whole, rather than the individuals concerned, as this has a positive effect (and v.v. for individually-oriented processes) on the impact of conflict on both task performance and the overall mood of the board (Maltarich et al., 2018).

8.4 Limitations of Research and Further Research Agenda

Research such as the current project inevitably has several limitations, whether they be the elements that the study covers, the way that it has been undertaken, or in the sample group available. The limitations of this study are presented in this section, as are areas for further research, which are discussed in conjunction with limitations where these correspond.

The size of the sample group and its gender makeup are two of these limitations. Much research into boards has been based on structural factors, and research into interpersonal dynamics into organizational groups has often made use of proxy groups such as student teams, both of these strategies obviating the need to recruit numbers of time-poor, elite participants. This project on startup board effectiveness however required access to individuals in order that they may relate their lived experiences of the phenomena under study.

A larger number of participants may have increased the chances of finding further disconfirming or further outlying points of view (as range of views or ‘thickness’ is the desired result, rather than generalization). It may also have allowed a broader examination of aspects of their experience that were only sparingly commented upon by the interviewees, such as any direct effect that conflict and power may have had on the board’s task commitment.

The sample for this research project consisted entirely of male Angel investors. The lack of female interviewees recruited for the sample, the difficulties of which were discussed in Chapter 5, has meant that an opportunity to capture a wider range of experiences has been foregone. While anecdotal evidence has the number of male Angels far exceeding the number of females in this field, the number and prominence of female investors also seems to be growing. A study investigating the experiences of female Angels would thus seem to be fruitful ground for future research, in addition to going a small way toward redressing the gender imbalance of the views and experiences collected from informants in board research (and in corporate governance research more generally).

Analysis of the texts showed that trust and respect in the boardroom appeared to be important to Angels, but attitudes towards these states were derived from answers to questions on other topics, as there were no explicit interview questions about either respect or trust. Further studies could investigate the way that these states affect or are affected by conflict and power in the context of the startup boardroom, and whether previous findings (e.g. Huxham and Vangen (2004), de Wit, Greer and Jehn (2012)) in other group contexts hold true in the startup boardroom.

A conference paper based on the data collected for this research examined the coincidence of negative director sentiment and categorised deviations from board best practice (Wildenauer, 2016), and some emotional reactions to conflict (especially severe conflict) were evident in the interview texts, however the investigation of emotionality more closely was not part of this project. Future work to examine in more detail the role of sentiment and emotionality associated with both decision-making and interpersonal interactions in the Angel context or from the entrepreneurial founder's point of view could offer a more complete picture of the boardroom in early stage ventures. Some evidence of change in affect coinciding with a change in perceptions of the components of cohesiveness (group pride, interpersonal attraction) was also uncovered; this could also be considered more carefully.

While the data collected for this research project was not subject to the same restrictions as cross sectional data collected via survey instrument, in that allowed the informants to range backward and forward in time to some extent, the use of the CIT (critical incident technique) as a way of sharpening memories may have acted to 'fix' some aspect of their accounts over a period of (typically) weeks or months. Even during this limited period however, the level of relationship conflict increased in some cases, matched by an associated decrease in the level of feelings of belonging. Further work using longitudinal research over the period of board tenure is required to flesh out how changes manifest themselves, but this is likely to prove difficult, due to the hurdle of recruiting participants, with a relatively large sample required because of the unpredictable life span of startup companies.

A number of propositions were developed as a result of this research project. A subset of these propositions could form the basis of a wider, survey-based study that sought to test their general

application on boards of early stage companies in Australia or elsewhere. In a wider board context, statistical techniques could be applied to such survey data to provide an understanding of whether the proposed extensions to Forbes and Milliken's (1999) model of board effectiveness hold true for the general case or in particular industry, business lifecycle stage, corporate governance model, or geographic settings.

A further investigation into the effects of startup discourse on the way board effectiveness is perceived within early stage companies could build on the work begun in the current study, specifically propositions P5(b) and P9(d) presented in this area. A next step could be to investigate the discursive elements of founders' experiences on the boards of their own companies, and the way in which these discourses reinforce or resist other discourses.

The Board Power Framework (Pettigrew & McNulty, 1998), was the model for power used in this research. While it allowed for bi-directional effects, the structural nature of the board conditioned the available power sources through the perceived content of influence (see Proposition 1 in Chapter 7 above). The results of the current research appear to call into question the primacy of that direction of influence. Future studies should investigate whether, and in what circumstances and to what extent, available power sources determine board roles and tasks, rather than, or in addition to, the converse as given in the model.

An interesting finding from this research was that power sources available to board members may interact (reinforce/cancel out/transmute). Examples included the interaction of agenda power with discursive power, and the converting of 'access to resources' to rule-based power. Further exploration of these interactions, and the circumstances in which they may occur on boards of various types would provide deeper insight into the way that power works on boards, and address the scarcity of research into power dynamics on boards identified in the literature (Hambrick, Werder & Zajac, 2008, Huse et al., 2011).

Perceiving a board as having the right skills and experience seemed to be a binary indicator of effectiveness (i.e. effective or ineffective) for Angel directors. Research to determine whether there

are finer gradations, or the exactly where the dividing line between sufficiency of knowledge and skills and insufficiency lies would seem to be of great practical use in forming boards. These judgements may be entirely contingent (on company age, industry sector, investor profiles, competitive landscape etc.), rather than conforming to more general rules, but could still be profitably applied when founders are seeking to build an initial board for their venture, perhaps the only opportunity they may have to exercise complete control over its makeup.

While an initial examination of the way coding was clustered around themes and concepts was undertaken in NVivo to aid in visualizing the coding as part of the phenomenological analysis, and of word use in the discourse analysis, the entirety of the text could be examined in more detail to provide a more comprehensive account of word use and concept coincidence. A larger collection of demographic data (collected via anonymous survey for example, and thus not requiring interviews) could also be subjected to further clustering analysis using more suitable software and approaches such as the K-means algorithm (for instance).

Finally, in this research, only the parts of the interview text already coded for phenomenological analysis were examined for the CDA (critical discourse analysis). While this is reasonable in terms of the employment of CDA as a triangulation method for the phenomenological analysis, and in terms of the resources available to perform the CDA (the elapsed time for a detailed analysis of all text would have meant exceeding the time limit for completion of this thesis by a significant margin), it would be preferable to investigate all text in order to obtain a fuller picture of the part that discourse plays in the effectiveness of startup boards. This could be a suitable follow-on study, but has not in the opinion of the author had a negative impact on research quality in this study.

8.5 Final Remarks

In summary, this thesis has made contributions to the understanding of the way that startup boards work, and how the behaviours and interactions of the directors on them may influence way that the board performs its tasks, and how likely they are to want to keep working together for a common purpose. These two criteria, task performance and cohesiveness, being exactly those specified as sufficient to determining board effectiveness in the widely-employed model proposed by Forbes and Milliken (1999). This thesis has also contributed to knowledge by extending this model to include relationship and process conflict, and power dynamics, aspects previously not included.

It has also contributed knowledge about the way that a particular type of director, the informal venture investor or Angel, experiences board interactions, and how they understand decision-making, cohesiveness, and effectiveness on their boards. Various discourses, competing and complementary, have also been examined and have shed light on the context in which Angels and startup boards operate, and pointed to possible explanations for the differences between this context and other organizational settings.

This thesis has examined the lived experiences of Angel investors on boards, rather than relying on proxies or secondary sources, contributing to the relatively small but growing number of works of this type in the corporate governance domain. The use of Angels as informants has led to limitations due to difficulties in recruiting members of this group for research purposes, but this research has utilized the novel triangulation approach of CDA to apply critical analysis in addition to phenomenological analysis to interview texts to help enrich the findings and overcome these shortcomings. The critical reflections of the researcher have been provided in order that the reader can account for this subjectivity in their own reading of the work and when interpreting the results of both the phenomenological and critical analyses presented here.

A further research agenda has also been presented, deriving both from limitations of the current research, and from findings that require further exploration, or could be tested by application in different contexts. The propositions generated in this thesis, whether from theory or from the accounts

of the Angel directors may form the basis of future theoretical and empirical research in the areas of corporate governance, entrepreneurial businesses and actors, and interpersonal dynamics.

In addition to contributions to knowledge in terms of theory and methodology, this thesis has also presented a number of findings of practical importance to founders, board members and other governance practitioners working in the startup domain, especially in the Australian context. These results have significant implications both for startup boardrooms and for the sustainable success of early stage ventures, and have been summarised and presented as recommendations for use by practitioners.

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INFORMATION FOR PARTICIPANTS INVOLVED IN RESEARCH

You are invited to participate

You are invited to participate in a research project entitled *“Board Effectiveness in the Startup Context: the influence of board member interactions on cohesiveness and task performance”*.

This project is being conducted by student researcher Michael Wildenauer as part of a Doctor of Philosophy (PhD) at Victoria University under the supervision of Professor Anona Armstrong and Professor Andrew Clarke from the Victoria Law School.

This Participant Information form tells you about the research project, and explains what is involved if you take part in the research. Participation in this research is voluntary. Please ask questions about anything that you don't understand or want to know more about.

Project explanation

The purpose of this study is to draw on the experiences of Angel investors in interactions on boards in high-technology early-stage companies in Australia to determine the behavioural factors influencing board effectiveness in these entrepreneurial firms. The results will then be compared to existing research into the effects of group dynamics on board effectiveness in other types of organizations.

What will I be asked to do?

You are asked to participate in an interview in your office, or other mutually agreeable location, where you will be asked questions about your experiences of interacting with others on the board(s) on which you sit, and on aspects of the effectiveness of the board(s). You will not need to identify any person or organization by name if you do not wish to do so. The interview will take approximately one hour of your time.

What will I gain from participating?

No direct benefits to you can be expected from participating in this study. However, participation in this research will help generate a greater understanding of Angel investors' role in early stage ventures. This research addresses the problem of how entrepreneurs and Angel investors relate to each other, and what this means to the way the board governs the company. In doing this, it may also be able to provide practical guidance for both Angels and founders in working together for success in startup companies. Given the importance of entrepreneurial companies to innovation, the study of board effectiveness in this class of organization may prove useful to entrepreneurs, investors and government policy makers. Participants can receive a summary of results after the completion of the research project if they wish.

How will the information I give be used?

The information you give in the interview will be confidential. It will be transcribed, aggregated with data from all the interviews, and have any identifying information removed. You will have the opportunity to correct any errors or obscure any sensitive business information. The information will then be analysed along with that of others and the results of the research included in a thesis for the award of a doctoral degree (DBA). Results may also be presented at an academic conference or in a paper published in an academic journal.

What are the potential risks of participating in this project?

This research has been approved by the Victoria University College of Law and Justice Ethics Committee as it involves interviews. Risks due to participation in this research include discomfort due to anxiety brought on by the interview process, and the inconvenience of giving up time to participate in research. Privacy and confidentiality are ensured by de-identification of all personal and company names in the data upon transcription of interviews, and by the storage of the raw data (electronic recordings and transcriptions) in password protected files on encrypted disk volumes. Participants will have the opportunity to correct any errors in the transcript, and conceal any confidential business information. No paper copies of identified data will be stored.

How will this project be conducted?

This research is qualitative in nature, data will be collected via interviews with participants, and analysed using what is known as the phenomenological method. The interview data will be classified and evaluated using a software package (Nvivo) to compare Angels' perceptions of the importance of various aspects of their board interactions with entrepreneurs (e.g. how decisions are made, who makes decisions, how disagreements are handled) with the effects predicted by existing models derived from research on other types of organizations.

This approach is ideal for capturing the rich descriptions of experiences of the individual Angel investor in order to explore the 'how' of Angel/founder interactions; and how they are perceived by them to be important to boardroom processes in the context of early stage companies.

Who is conducting the study?

This project is being conducted as part of a research degree in the College of Law and Justice, Victoria University, Melbourne.

The Chief Investigator of the project is **Professor Anona Armstrong AM**. Her contact details are:

College of Law and Justice
Victoria University
295 Queen St
PO Box 14428 .
Melbourne VIC 8001
Australia

Tel: +61 3 9919 6155

Email: anona.armstrong@vu.edu.au

The Student Researcher on this project is **Michael Wildenauer**, a doctoral student at Victoria University. His contact details are:

Tel: +61 (0) 429 583 413

Email: Michael.Wildenauer@live.vu.edu.au

Any queries about your participation in this project may be directed to the Chief Investigator listed above. If you have any queries or complaints about the way you have been treated, you may contact the Ethics Secretary, Victoria University Human Research Ethics Committee, Office for Research, Victoria University, PO Box 14428, Melbourne, VIC, 8001 or phone (03) 9919 4781.

APPENDIX B: ETHICS APPROVAL

From quest.noreply@vu.edu.au ☆

Subject **Ethics Application Process Finalised - Application Approved** 2/10/2013 1:21 PM

To anona.armstrong@vu.edu.au ☆

Cc andrew.clarke@vu.edu.au ☆, Michael.Wildenauer@live.vu.edu.au ☆

Dear PROF ANONA ARMSTRONG,

Your ethics application has been formally reviewed and finalised.

- » Application ID: HRE13-164
- » Investigators: PROF ANONA ARMSTRONG (Primary CI); ASPR ANDREW CLARKE, MR MICHAEL WILDENAUER
- » Application Title: Board Effectiveness in the Startup Context: the influence of board member interactions on cohesiveness and task performance
- » Form Version: 12-10

The application has been accepted and deemed to meet the requirements of the National Health and Medical Research Council (NHMRC) 'National Statement on Ethical Conduct in Human Research (2007)' by the Victoria University Human Research Ethics Committee. Approval has been granted for two (2) years from the approval date; 02/10/2013.

Continued approval of this research project by the Victoria University Human Research Ethics Committee (VUHREC) is conditional upon the provision of a report within 12 months of the above approval date or upon the completion of the project (if earlier). A report proforma may be downloaded from the Office for Research website at: <http://research.vu.edu.au/hrec.php>.

Please note that the Human Research Ethics Committee must be informed of the following: any changes to the approved research protocol, project timelines, any serious events or adverse and/or unforeseen events that may affect continued ethical acceptability of the project. In these unlikely events, researchers must immediately cease all data collection until the Committee has approved the changes. Researchers are also reminded of the need to notify the approving HREC of changes to personnel in research projects via a request for a minor amendment. It should also be noted that it is the Chief Investigators' responsibility to ensure the research project is conducted in line with the recommendations outlined in the National Health and Medical Research Council (NHMRC) 'National Statement on Ethical Conduct in Human Research (2007).'

On behalf of the Committee, I wish you all the best for the conduct of the project.

Secretary, Human Research Ethics Committee
Phone: 9919 4781 or 9919 4461
Email: researchethics@vu.edu.au

APPENDIX C: INTERVIEW QUESTIONS

DEMOGRAPHIC QUESTIONS						
PARTICIPANT						
<input type="text"/>						
Age	No. Current Boards	No. Current Angel Investments	Highest Education Level	Corp/Prof Experience Yrs	Entrepreneurial Exp. Yrs	Tenure on this Board
≤30	<input type="text"/>	<input type="text"/>	Secondary School	<input type="text"/>	<input type="text"/>	<6mths
31-40			Trade/VET			6mths- 1yr
41-50	Total No. Boards (Lifetime)	Total No. Investments	Undergraduate	Board Experience Yrs	Member of Angel group?	13mths - 2yrs
51-60	<input type="text"/>	<input type="text"/>	Postgraduate	<input type="text"/>	<input type="text"/>	25mths - 5yrs
61-70						5yrs+
71+						
COMPANY						
<input type="text"/>						
Industry profile of this company	Equity Owned in this Company (%)	Exit Timeframe Yrs	Preferred Exit Scenario			
New Media	<input type="text"/>	<input type="text"/>	Trade Sale			
Software			Listing			
Hardware			Other <input type="text"/>			
Service						
Other						
BOARD						
<input type="text"/>						
Co. Age	Size of Board	No. of Founders on Board	No. Other Investors on Board			
≤6mths	<input type="text"/>	<input type="text"/>	<input type="text"/>			
6mths-1yr						
13mths - 2yrs		Founder is CEO? <input type="text"/>				
25mths - 5yrs		Founder is CTO? <input type="text"/>				
5yrs+		Founder is (other)... <input type="text"/>				

INTERVIEW QUESTIONS				
PART 1 RQ1				
		Scene setting and hints for the interviewer	Questions	Follow-up or Development Questions if reqd.
		I'd like to you to think about a particular event in the company's history which was out of the ordinary, and required some action or decision by the board.	Can you tell me something about the event that you have chosen?	
		(This might be a huge opportunity with a new customer, a potentially lucrative market to expand into, a cash crunch, the resignation of a key employee, a change in direction, a new investor showing interest, a competitor beating you to market...)		<i>Background to the problem, time, what the main issue was, contentiousness</i>
			How did the board go about dealing with the issue?	
			Who would you say took the lead in tackling the issue?	
			Did everyone contribute to the discussion?	<i>Were they all listened to?</i>
			How long / how many meetings did it take to reach agreement on an approach?	
			Was there a formal agenda for these meetings?	
				<i>Did all directors contribute items to the agenda to be discussed?</i>
			Were there multiple competing suggestions on the way forward, or just one?	
				<i>How did the board arrive at their decision? (consensus? vote?)</i>
			Were there many conversations outside the board meetings? Who between?	
			Do you think that this event brought the board closer together? Or highlighted divisions?	
				<i>What about relations between the board and management?</i>
			Thinking back on this particular event, what worked well in the decision making process? What didn't?	
			Did the board include management in its decision making?	
				<i>How was the decision/advice communicated to management by the board?</i>
		In general...	Do board discussions follow an agenda?	
				<i>Do all directors contribute items to the agenda to be discussed?</i>
			Are most important board decisions based on consensus? Or a majority vote?	
				<i>Why do you think this is so?</i>
				<i>Does it work well?</i>

INTERVIEW QUESTIONS			
PART 2 RQ2			
Scene setting and hints for the interviewer	Questions	Follow-up or Development Questions if reqd.	
Going back to the particular incident or event you described earlier...	<i>The board of a startup has many important tasks including making decisions, guiding the company's strategy, and providing advice to the executive. Thinking about your interactions on the board with the company founders at this particular time, how do you think that these interactions influenced ...</i>	<i>the way decisions were/are made</i> <i>the way strateaic auidance</i> <i>the way advice was/is given?</i>	
Cohesiveness? Belonging, Morale, Attractiveness, Task commitment, Group pride	<i>How do you feel about belonging to this board?</i>	<i>Belonging</i> <i>Enthusiasm, happiness in being part of the board</i> <i>Quality of the board</i> <i>Attracted to the other members; individually or as a group</i> <i>Your commitment to the task</i> <i>Pride in the group</i> <i>How the group solves problems /faces issues</i> <i>Your desire to stay part of this board</i>	(part of) (member of)
Task performance So, in general...	<i>How do you others feel about belonging to this board?</i> <i>How good do you think that this board is in performing its tasks ?</i> <i>How do you feel about the board's effectiveness? - that is, the ability of the board to achieve its objectives?</i>		

APPENDIX D: MAPPING CONCEPTS & INTERVIEW QUESTIONS

RELATIONSHIP OF INTERVIEW QUESTIONS TO THEORY

PART 1 RQ1

Constructs	Questions	Follow-up or Development Questions if reqd.
	<i>Can you tell me something about the event that you have chosen?</i>	
Decision Making	<i>How did the board go about dealing with the issue?</i>	<i>Background to the problem, time, what the main issue was,</i>
Use of Skills & Expertise	<i>Who would you say took the lead in tackling the issue?</i>	
Effort Norms	<i>Did everyone contribute to the discussion?</i>	
Respect	<i>How long / how many meetings did it take to reach agreement on an approach?</i>	<i>Were they all listened to?</i>
Board Process (critical instance)	<i>Was there a formal agenda for these meetings?</i>	
Effort Norms		<i>Did all directors contribute items to the agenda to be discussed?</i>
Task Conflict	<i>Were there multiple competing suggestions on the way forward, or just one?</i>	<i>How did the board arrive at their decision? (consensus? vote?)</i>
Board Process	<i>Were there many conversations outside the board meetings? Who between?</i>	
Respect/Relationship Conflict	<i>Do you think that this event brought the board closer together? Or highlighted divisions?</i>	<i>What about relations between the board and management?</i>
Decision Making	<i>Thinking back on this particular event, what worked well in the decision making process? What didn't?</i>	
Collaboration	<i>Did the board include management in its decision making?</i>	
Collaboration		<i>How was the decision/advice communicated to management by the</i>
Board Process (general)	<i>Do board discussions follow an agenda?</i>	
Effort Norms		<i>Do all directors contribute items to the agenda to be discussed?</i>
Decision Making/Task Conflict	<i>Are most important board decisions based on consensus? Or a majority vote?</i>	<i>Why do you think this is so?</i>
		<i>Does it work well?</i>

PART 2 RQ2

Constructs	Questions	Follow-up or Development Questions if reqd.
	<i>The board of a startup has many important tasks including making decisions, guiding the company's strategy, and</i>	
Influence of conflict and power on decision making		<i>the way decisions were/are made</i>
Influence of conflict and power on strategy		<i>the way strategic guidance was/is provided</i>
Influence of conflict and power on advisory role		<i>the way advice was/is given?</i>
Belonging	<i>How do you feel about belonging to this board?</i>	<i>Belonging</i>
Interpersonal Attraction/Group Pride/Cohesiveness		<i>Enthusiasm, happiness in being part of the board</i>
Group Pride		<i>Quality of the board</i>
Interpersonal Attraction		<i>Attracted to the other members; individually or as a group</i>
Task Commitment		<i>Your commitment to the task</i>
Group Pride		<i>Pride in the group</i>
Task Commitment		<i>How the group solves problems /faces issues</i>
Cohesiveness		<i>Your desire to stay part of this board</i>
Cohesiveness	<i>How do you others feel about belonging to this board?</i>	
Task performance Effectiveness	<i>How good do you think that this board is in performing its tasks ?</i>	
	<i>How do you feel about the board's effectiveness? - that is, the ability of the board to achieve its objectives?</i>	

APPENDIX E: QUOTES SUPPORTING DISCURSIVE THEMES

1. Discourse of Boards
2. Discourse of Superiority
3. Competing Discourses
4. Discourse of Experience
5. Resistance to Discourse
6. Discourse of Resources

BOARDS				
Board discourse - general	Board roles	Boardroom strategy	Knowledge and skills	Representing the investors
"Yes, all of our board meetings have formal agendas"	"so through this particular period of time it was, you know you, you I guess tried to be a coach, you tried to be empathetic to the fact that there was change happening"	"It wasn't so much meetings, it probably evolved over the course of two board meetings, but there was talk in between, they weren't full meetings, just building ideas, so there was no such thing as a meeting"	"so you really get to cover all the bases because clearly the executive team is very often one or two people and very often inexperienced compared to the board members and the board has a very important, very involved role to play"	"representing a family office"
"when anything was really polarising we split the difference and deferred because we all have to get along"	"it's up the CEO to execute what the board's telling him and if he doesn't execute, the board needs to either say, and our message isn't getting through, or mate, you're not listening to what we're saying, and, you know, you're the one that goes"	"the board adopted rigorous governance controls that had not previously existed"	"One was I didn't really have any, any, advisors, people I could go to help me to understand what was going on. I tried to find advisors, but obviously my circle doesn't include the right people"	"Yes, but, so I wasn't an official representative, but as a very experienced, both private and public company director, I know what my duty was, my duty was always, and I always sought to act in the interests of all shareholders"
"So we don't just, it's an example of not just sitting around and continually trying the wrong way, it's doing something different and that's what we did here"	"So I think strategically the board performed at a very high level, in terms of providing advice and guidance, I think it was also excellent"	"So the decision about to make it happen and to assign him as the executive chairman and even to give him the compensation, one of the things I didn't like about that board is that a lot of that was one on one conversations"	"ultimately, any board member, independent board member or non-executive board member, relies on the integrity of company's records to make its decisions and when push came to shove down the track, that turned out not to be the case"	"Yeah, so I guess it's the, um, hard money investors, or investors representing, or with fiduciary responsibilities via funds, um tended to be the more prominent in the, in pushing for the resolutions that were required"
"My personal interactions on the board were outcome determinative and positive"	"I said, we should assign someone from the board to actually lead the negotiations"	"if discussion came up of anything that was beyond the scope of the agenda, I permitted it"	"this is where experience comes in and where I honestly believe you need the most experienced people in the startup situations, I've taught governance and been involved in so many scenarios"	"we partitioned it to preserve the value there, as opposed to having it complicated with the rest of the company"
Board discourse - general	Board roles	Boardroom strategy	Knowledge and skills	Representing the investors

<p>"I would say that up to that point the board had functioned in a very amicable and harmonious way, see no problems at all"</p>	<p>"Well strategically I think the board pretty much got it spot on and I think was ahead of the curve, cause as you know, strategy changes as conditions change and technology changes and new competitors arise etc"</p>	<p>"once an idea starts it can evolve out off board and be ratified at the board"</p>	<p>"Yeah, although you very rapidly learn things about your board members, and sort of think "oh dear". Well we had one board member that I referred to as the empty chair..."</p>	<p>"I insisted and I made sure that the new investor insisted, that they step down from a board seat"</p>
<p>Were there any conversations outside of board meetings, were there any one on one phone calls or anything like that, discussing this? "Many"</p>	<p>"So I think strategically the board performed at a very high level, in terms of providing advice and guidance, I think it was also excellent, and I think the founder CEO would have been the first to say those two things"</p>	<p>"I guess in the heat of it or the height of it there was extraordinary board meetings which were required, but then there was also quite a lot of more informal meetings and probably not the full cohort of the board engaging between one another"</p>	<p>"this is a CEO who failed in his own business before and after exiting the company failed in another business afterwards, but he succeeded in this business because he had skills from the board that...took advantage of his very um very significant skills in sales"</p>	<p>"So within three months of us agreeing to invest, we, that is the angel investors who were involved, had actually helped the company generate an exit deal with the world's number one company for what they did, a big multi-billion dollar exit"</p>
<p>"Has to be by consensus, absolutely, board has to reach that sooner or later, it cannot be otherwise, you can't have strong dissent at board level without creating major problems"</p>	<p>"No no no no, look, that's the role of any board, to set a strategy in place and if you don't have the resources, you've got to put the resources in to actually achieve it. That's their prime function for goodness sake"</p>	<p>"the other side made the fatal mistake, the founder and CEO resigned from the board, so it was perfect, the board had the ability under the constitution and under corporate law to fill all the available board seats, so I stacked the board with three more directors loyal to me and, and any board meeting that they were calling for as shareholders, they couldn't get any sympathetic hearings"</p>	<p>"so sadly, I knew what to do, and I went to Federal court in [redacted] to, as any director may do, to demand an accounting and to get an injunction from the controlling shareholders holding an extraordinary general meeting to remove myself and the other independent director from the board"</p>	<p>"shareholder value will be retained in both companies and if it'd all been kept in one you would have been developing a situation whereby part of the company was being undervalued at the expense of the higher valued part"</p>

Board discourse - general	Board roles	Boardroom strategy	Knowledge and skills	Representing the investors
"and I like playing devil's advocate anyway, so I'll always sort of, it's just prodding a little bit to say, you know, there's always a better way to do it and let's see if we can find it"	"an example where the interactions were classic in that sometimes it's head butting, sometimes it's mentoring"	Did it ever come to a vote? "Yes. [silence] And... yeah"	"I think that it was we had a cohort of people that because of the, I guess the experience and ah, I guess networks of those who were on the board we tended to have pretty good access to what's required"	"particularly when you're representing Asian investors they're not in there for philanthropy we want to help the management team and the people in the startup moving on but we also want to move to an exit so you just can't, you can't afford to sit around and make it a lifestyle choice"
"Because, there's only so much head-butting you can do with a founder executive, number one, that just the honest personal interaction thing, even though it's all in total positive, fighting gets old"	"given what eventually transpired in the last year, that last year, it's a kind of hard one, there was failure of oversight to achieve all that could be achieved"	" No they were just one on one, you'd talk, remember our board's three people, you talk to one guy, we never had any formal telecon on it"	"but you've got to have a lot of fortitude and knowledge of the law and procedure to be able to do it"	"a lot of decisions around shareholder equity from the parent company and into the partitioned company"
"so it has been about righting the ship"	"And I'd have to say that for about five years the board worked effectively as a board should and did what a board should do and it's almost a copybook success thing."	"they tried to stack the board at an extraordinary general meeting, but I'd already stacked it"	So leadership on any particular issue may depend upon... "May vary, may vary depending upon the, I guess the individual board member"	"Most people would have just walked away I suppose, but I felt I'd owed a duty of care to those that had put money into the company"
"it is quite a feat to take a company from start-up to public listing in 2 years"	"I think that's where the greatest weakness is [control and monitoring] and particularly when you have angel investors as opposed to a significant venture investor "	So these conversations that were happening before the actual board meeting, was it generally everybody involved in terms of an email circular? "No no no, it was a one on one"	the chair was a financial expert, so you think that he possibly had more sway because of that in these decisions? Because of expertise? "Ah, yes. Yes, yeah"	"I always sought to act in the interests of all shareholders, sadly then when it was against my own self-interest"
Board discourse - general	Board roles	Boardroom strategy	Knowledge and skills	Representing the investors

<p>"And I thought 'hey this board stuff is easy, this is the way it's supposed to work' and you know, great"</p>	<p>"but the terms of this capital raise required that the board have absolute control over financial matters especially"</p>	<p>"So the decision about to make it happen and to assign him as the executive chairman and even to give him the compensation, one of the things I didn't like about that board is that a lot of that was one on one conversations"</p>	<p>"how you can actually make things right if you're clever and know stuff and can disadvantage the bad guys"</p>	<p>"he was leading an investment syndicate, so he was there representing them"</p>
<p>"in order to navigate successfully to where the business currently exists"</p>	<p>"It works a lot better now, 'cause they're doing what they should be doing. So it's become more strategic and advisory rather than interfering"</p>	<p>"then using the power of the gavel, which is the most underrated power that I know exists in corporate matters, use the power of the gavel to essentially defeat every motion that the majority shareholders came up with"</p>	<p>"So that one turned out well because I'm experienced and well, I'm a pretty ornery bugger when I make my mind up"</p>	<p>"so we are representing not only our own interests but actually investors interests on this board, which probably um, gives me a different perspective as to when is the right time for me to, to exit from this board"</p>
<p>" to let it reach its, the company, its best and highest point"</p>		<p>So you used the power of the chair to frustrate their..... "Yeah, rule them out of order"</p>		

SUPERIORITY

Moral superiority	Elitism	Strategy superior to operations
"there was certainly some dishonesty in the later stages, things that were said that were not true"	"this was a top guy doing me a favour really, but we met for coffee for a couple of hours to really sort it all out"	"Yeah, I thought that the Chairman did well. As I said he was a finance guy, but not an accountant in the sense of a rear view mirror, he was a finance guy who specialized in looking forwards and being able to make projections and he did it well."
"The lapsed lawyer I think saw this as an opportunity for personal aggrandisement, I think he invested a lot of ego in this board"	"it's a lesson to be learned, never let a lawyer on a board"	"so you really get to cover all the bases because clearly the executive team is very often one or two people and very often inexperienced compared to the board members and the board has a very important, very involved role to play."
"The CEO was very attached to his salary cheque [laughter]"	"So I think strategically the board performed at a very high level, in terms of providing advice and guidance, I think it was also excellent"	"So his operational management and his sales skills were excellent. And his strategic thinking and his strategic financial thinking were flawed. And the board, in my view compensated for that very well indeed."
"you want to believe the best of people even when you're getting evidence that maybe that belief is not warranted."	"how you can actually make things right if you're clever and know stuff and can disadvantage the bad guys,"	"then it was really just a matter of implementing the plan of shedding staff, cutting overheads and making some sales and such like."
"key entrepreneur and founding director/MD at the time was doing some things that the board could not accept and we sacked him"	"5 meetings and obviously held outside the company at the home of the chairman"	"in fact the founder is very much hands off with regard to the commercial and strategic decisions that are being made"
" It was very stressful, it was very stressful. I find that kind of verging on criminal behaviour, personally, very difficult to live with."	"the rest of the board were incredibly experienced and highly regarded businessmen"	"If it's in regard to strategic effect, in terms of management decisions, you know, executive directions, um then obviously it's how do you actually manage it, to or guide it and to provide the advice to set its trajectory up towards the greatest success"
"great judge in the Federal court who sized it up and got it in one and just absolutely eviscerated the malfeasants"	"it's a bit scary, I've only met two people I think in all my career who think like me "	"The CEO was a brilliant cash flow manager and absolutely hopeless at the larger picture. He just couldn't, couldn't, see the finances as a whole but he could manage the monthly..."

Board deliberation as ultimate arbiter	Shenanigans	Superiority
"when anything was really polarising we split the difference and deferred"	"more of this goes on in the angel investor and small startup business space than people would know"	"the inventor couldn't be left to be responsible for managerial um responsibilities."
"what didn't particularly work maybe well was, initial request to do it was maybe, just assumed it would happen without discussion"	"was that the CEO was lying to all of us about all sorts of stuff."	"So that if the board's uncomfortable about something or a director's uncomfortable about something, they'll say I'm not prepared to give it my blessing now"
"Well, all the boards I've been involved in it's generally been consensus, it's very rare that it's gone to a vote, cause it's either black or white, there's very few sort of shades of grey, and if anything, a decision will get deferred pending some additional work"	" I think that's where the greatest weakness is and particularly when you have angel investors as opposed to a significant venture investor who basically, with the terms of its investment, puts such financial controls and systems in place that the monitoring is a lot easier, in fact it becomes draconian, so you have that problem, but yes, I do think it's inherent"	"the fact is that one has to be a mentor, one has to offer enough guidance without totally constraining the executive decision making and ability to grow, to let it reach its, the company, its best and highest point."
"so thinking through all the possible scenarios that could eventuate, identifying the consequences of those, positive and negative, and expressing those with clarity so that the best informed decision making as to what we'd adopt, could occur."	"if anybody ever asks me I'm going to tell them, trying to play the directors off against each other, sorry the investors off against each other is not a good strategy, now he said that to me, as if somehow that was going to buy my support or sympathy or something"	"I brought in an outside consultant to take a look at the business, to figure out how best to handle the cash crisis, to counsel and mentor the CEO."
"No, I think it was handled the best way it could be handled, I do not see that there were any particular things that could have been done or should have been done differently."	"honestly the failure of oversight was due to outright fraud, but the signs were there and I wish we'd taken it on earlier when it still might have been contained, and we just didn't know obviously until we did know"	"had a very strong vision where I wanted that company to go and I was so disappointed when it was taken in a direction that I didn't want to be involved with it"
"important decisions need to be debated in detail and a decision taken based on the best evidence before the board and that was how it worked."	"the entrepreneur was clearly playing people off against each other"	"I said, we should assign someone from the board to actually lead the negotiations"
"we said we didn't want to do this, I said that's right, but put together a proposal document, as to the pros and cons and whatever and bring it up at the next board meeting and we'll make a decision."	"I say quite definitively here that he was whispering in everybody's ears"	

COMPETING DISCOURSES

	Entrepreneurial Narratives	Investor Exits	Investor Discourse	Meddling in management
Blinding us with science	"CEO kept telling us all how wonderful all this was, the patents and stuff"	"Yes it was, it is quite a feat to take a company from start-up to public listing in 2 years"	"Yeah, so I guess it's the, um, hard money investors, or investors representing, or with fiduciary responsibilities via funds, um tended to be the more prominent in the, in pushing for the resolutions that were required"	"an extension of the management team at times? Rather than just a board? Or not so much? Not really so much, a bit, I mean..."
Have faith	"we know this model is going to work eventually, how do we survive long enough to the point where the money comes in?"	"when we invested, we actually invested in an exit strategy for this particular company"	"When they refused to contribute to the capital raising, so we all put in a small uptake and then got one big new investor, but when they refused to contribute to that, I insisted and I made sure that the new investor insisted, that they step down from a board seat"	"I brought in an outside consultant to take a look at the business, to figure out how best to handle the cash crisis, to counsel and mentor the CEO."
Just let me get on with it	"I think the CEO saw it [the board] as a necessary evil."	"we want to help the management team and the people in the startup moving on but we also want to move to an exit"	"he was also the first angel investor in the company and he took a strongly dissenting view and he at that time had a 5% shareholding so he was clearly still a voice to be listened to"	"It works a lot better now, cause they're doing what they should be doing. So its become more strategic and advisory rather than interfering"
Living the Silicon Valley dream	"I'm terribly sorry guys, I can't work for you any more, you can't pay me, but now I've got my greencard and I'm living in California"	"This had been, whenever it was, around seven or eight years and it'd outlived the fun bit"	"I do, I think that's where the greatest weakness is and particularly when you have angel investors as opposed to a significant venture investor who basically, with the terms of its investment, puts such financial controls and systems in place that the monitoring is a lot easier, in fact it becomes draconian, so you have that problem, but yes, I do think it's inherent"	"I think the Chairman supervised the bookkeeper somewhat to make sure that the books were prepared correctly. So, that's kind of a COO or CFO role, so maybe the Chairman acted a bit in the CFO role to some extent before we actually got to the point where we could hire a CFO"

	Entrepreneurial Narratives	Investor Exits	Investor Discourse	Meddling in management
Founders can't manage	"we sought to do to bring on board a more professional management to support and build the necessary commercial and business infrastructure"	"So within three months of us agreeing to invest, we, that is the angel investors who were involved, had actually helped the company generate an exit deal with the world's number one company for what they did, a big multi-billion dollar exit"	"not by the way that under the terms of investment that they had any influence, it was entirely up to my group of investors who they had on the board."	"So at times when the business has been on a lull then there's not that much really going on, and in a lot of ways I guess to navigate forward out of the loss of the sort of executive team they then effectively put in an office of the CEO which was pretty much the board the board becoming a quasi-executive as a board"
The lone genius	"oh no, we didn't, this was not what was meant' or 'I didn't understand that was how it was"	"carried on as the CEO and took the company in a radically different direction than it had started out. That meant that I didn't like the company any more so I broke off and started my own company"	"it's not just simply the people in the business but there is a balance that sometimes does need to be struck as to the fact that there investors, and the investors' money being represented."	"The chairman was a finance guy, he had a lot of input on uh how to manage the money and stuff like that."
	"Correct, correct, you had to be careful as to essentially the way in which you know, umm, some aspects were communicated through, particularly where, depending upon what, what state they were in individually. Whether they were already agitated or whether were feeling, and therefore on the defensive, or whether they were basically, you know, supporting something and in flow"	"If I'm going to be unhappy, it would only be because some of the others might have done better than I did."	"seeking ways in which to effectively retain value within the company and not see the, the issue implode."	"I'll come across something that may be of interest and I'll flick through a little email or whatever and say, you know, look, have a look at this and see if it's got legs, type sort of scenario."
	"essentially the openness of the inventor to sort of, you know, engage around particular topics with particular people"	"And I wanted to focus on selling the company"	"you have to be pretty clinical about getting to an exit on the investment and that's what this is all about"	"And it was abundantly clear that the inventor couldn't be left to be responsible for managerial um responsibilities."
	"They... they've exhibited behaviours at all levels I suppose you could say. I guess it's almost like a grief cycle in that essentially initially that was sort of disbelief"		"that they step down from a board seat, they weren't willing to stand up"	"the new board's become, if you like, more strategic and more pragmatic and sort of more hands off, if I can say that."

DISCOURSE OF EXPERIENCE

An experienced board

"And, and uh we had to um, very rapidly take some corrective measures. But they were purely financial issues, nothing complicated about it, just a matter of making the numbers line up and so they weren't really very stressful"
 "Yes it was very professionally handled, the people involved had themselves vast board experience from other listed companies and considerable enterprises so it was a very strong board"

"I'll admit they were stressful in the sense that you might fail, but there wasn't a divergence of views about the need to do something"

Industry experience and knowledge

"so you really get to cover all the bases because clearly the executive team is very often one or two people and very often inexperienced compared to the board members and the board has a very important, very involved role to play"

"particularly the Chairman is highly experienced, sort of you know in this domain, has navigated it many, many, many times"

"because of the big company had insisted on exclusivity, an item by the way, I strongly resisted and I said by the way if they are going to insist on it this is the normal compensation you demand, one of which is what's called a break fee"

"the rest of the board were incredibly experienced and highly regarded businessmen so we all came to the same conclusion and there was never any doubt in anyone's mind that that was the step that had to be taken"

"I said of course you can, it's exactly the way it gets done"

"also another Silicon Valley company to come to the table and do due diligence, and again asked for a period of exclusivity and again I said no"

Startup vs corporate experience

"this is where experience comes in and where I honestly believe you need the most experienced people in the startup situations, I've taught governance and been involved in so many scenarios"

"The meetings he had run I'm sure were all great meetings but he had not actually created any positive governance in that company at all because there was none of the resources he was used to working with. So what he really left behind was not a vacuum, but there really wasn't any legacy"

"Yes it was very professionally handled, the people involved had themselves vast board experience from other listed companies and considerable enterprises so it was a very strong board"

"I had the impression that he ought to be competent, I didn't expect him to know much about how to invest in an early stage company but I did expect him to know how to run a board"

"corporate directors don't have a clue how to run a startup"

Past investor experience

"If you're invested in the startup space you see a lot of stuff that has relevance to a lot of different businesses and markets, some of it might be a good fit, some of it not so good"

"my impression was that the, certainly the founder CEO and the family office guy really didn't know what they were doing, but that was okay, it's not unusual in that circumstance"

"I think the family office guy saw it as a bit of an automatic obligation, he really didn't feel he knew anything about the business, the industry, the stage of business"

"at that stage I already had 10+ years' experience as an early stage investor as well as entrepreneurial experience, starting and running and selling companies"

"For both of them, their investor groups, this was the first early stage company they'd invested in"

An experienced director

"the new investor that I brought on had been a director on other boards that I'd been on and was really great for probity governance things, not that I was not, but you need help if you're banging heads on that front all the time"
"I said 'no , I need to look at that carefully, I need this information, I need to talk to this person, I need to do this' and that generated a fair bit of tension"

"I brought in an outside consultant to take a look at the business, to figure out how best to handle the cash crisis, to counsel and mentor the CEO"
"So that one turned out well because I'm experienced and well, I'm a pretty ornery bugger when I make my mind up"

Past management experience

"the rest of the board were incredibly experienced and highly regarded businessmen so we all came to the same conclusion and there was never any doubt in anyone's mind that that was the step that had to be taken"
"So I took him through, what are you thinking about, what's your mindset etc, ok, here are the things that you need to think about, once you've had a think about it and you think it's still a goer, here's the things I think you should cover off in any proposal that goes to the directors, right okay, and then we can have that discussion. So I wasn't trying to pre-empt him, I think, it was more to say, go through a thought process, in terms of, and here's the things you should think about, from a procedural point of view"
"the inventor couldn't be left to be responsible for managerial um responsibilities"

Success vs failure in past ventures

"And I kept saying, just a minute, I'm the one who's got the experience, I'm the one who's already lost enough money to learn the lessons, and I'm telling you this is what we have to do"
"this is a CEO who failed in his own business before and after exiting the company failed in another business afterwards, but he succeeded in this business because he had skills from the board that...took advantage of his very um very significant skills in sales"

Age vs youth

"there was the CEO of this company, who was still a young man, this was still his first effort and very much a technician, not a business person"
"that led to having the CEO, who's actually still quite young and inexperienced, negotiating terms, which I advised against"

RESISTANCE TO DISCOURSE

Resistance to board discourse	Resistance to discourse of experience	Resistance to entrepreneurial discourse	Resistance to Investor discourse	Resistance to managerial discourse
"Yeah, I'm not a political player so I wasn't,... I wasn't counting numbers or whatever"	"again the other said oh [redacted] you just don't understand how business is done"	"you'd come to find that because you got bullied by the client usually 'cause small company/big company"	"I would say that we browbeat the founder but we met about it for hours and we didn't put a gun to his head, but it was clear that the new money wasn't coming in if he didn't agree to it so"	"to then effectively try and attack them and suggest that they weren't actually uh a professional manager or able to actually do the business"
"I think the CEO saw it as a necessary evil"	"And the others said oh [redacted] that's not the way, it's a big company, we can't make them do that"	"this is the problem when founders or parties associated with the founders together, are the controlling shareholders. What are, if you don't have consensus, then those parties are a opposed to some particular agenda item or decision, then take their ball and go"	"insisted that he be given the right to choose his own board essentially"	"ultimately, any board member, independent board member or non-executive board member, relies on the integrity of company's records to make its decisions and when push came to shove down the track, that turned out not to be the case"
"I mean, as you know, you don't have to have a board meeting once an idea starts"	"no I've spoken to my friends, they tell me that's not the way it gets done"	"The new director and myself compared to the CEO Director. It sowed the seeds for us versus them so to speak"		"but the terms of this capital raise required that the board have absolute control over financial matters especially"
"he refused, in an open board meeting, when he refused to accept that and really went off, I knew bad things were going to happen"		"And it sort of demonstrates I suppose, that you know most of, there is no such thing as the overnight success, umm. This might be the seven year overnight success or the twenty year overnight success, umm, in this case"		"there is, of necessity, a healthy tension between a non-executive chairman and the executive"
				Did the board include the wider management in its thinking about what needs to happen? Staff shedding etc.? "Not really. No. The CEO was all we really needed for these decisions"

RESOURCES

Resources or access to resources - I...

"one was actually in person, the consultant that I'd brought in"

"there are huge burdens to achieving those but, which at some considerable cost to my own pocket, I did achieve"

"so I got a guy to lend the company a lot of money under favourable to that lender terms, as you would imagine"

"It wasn't just that. The thing that I brought to it was that I'd identified the opportunity, the business opportunity"

"this was a top guy doing me a favour really, but we met for coffee for a couple of hours to really sort it all out"

"I had to go out and find one more external investor who would also join the board"

"I brought in an outside consultant to take a look at the business"

Resources or access to resources - we...

"We did subsequently get the number two company in the world, also another Silicon Valley company to come to the table and do due diligence"

"so we all put in a small uptake and then got one big new investor"

"it's the access to the networks and getting in front of the right people that can actually help them grow the business that's worth a lot more than the money"

"at the Angel level there's not enormous amounts of resource available here. So, people are probably budgeting their time across you know across numerous boards or numerous responsibilities both executive and non-executive"

"we were able to recruit and deploy some really good executives who had the capacity management, had the capacity to take the company to the stage it needed to be"

"I think that it was we had a cohort of people that because of the, I guess the experience and ah, I guess networks of those who were on the board we tended to have pretty good access to what's required"

Resources or access to resources - he/they...

"When they refused to contribute to the capital raising, [...] but when they refused to contribute to that, I insisted and I made sure that the new investor insisted, that they step down from a board seat"

"So he had a divergence of views and had to be persuaded that he needed to be paid a bit less for a while..."

"The CEO was very attached to his salary cheque [laughter]"

APPENDIX F: RECOMMENDATIONS FOR PRACTITIONERS

R1. Boards of startup companies should not neglect the control and monitoring role of the board.

The literature suggests that startup boards perform fewer tasks in the control and monitoring role than they do in other roles e.g. advisory or strategic (Zhang, Baden-Fuller & Pool, 2011), although these results were obtained from a study of UK companies whose directors may not have had a direct investment in the business. The lived experiences of the Australian Angel investors interviewed however suggested that control and monitoring tasks were felt to be important for success, and inattention to this role could result in unethical behaviour or even malfeasance on the part of management and/or founders remaining undetected or proceeding unchecked.

R2. Angel investors on startup boards should work towards easing the levels of task conflict for other members of the board, as this may improve overall trust and boardroom respect.

Angels could temper their approach and find less challenging ways to ensure that all their questions are answered in sufficient detail. Angel board members could for example, create a template that is required to be completed for all non BAU (business as usual) issues and items for decision brought to the board, and commit to reading these before board meetings. This would then allow for enough time to explore the more complex aspects without excessive time pressure, or putting management in the predicament of having to answer detailed questions without notice.

Non-executive directors could then have an in-camera session without the presence of founder or management (anyway considered good practice) to debate an issue or decision further if required. Any decision or resolution could be then added to the minutes by the Chair.

R3. Likewise, founding entrepreneurs should be prepared to have their ideas challenged by Angel investors in the boardroom, even to the extent experienced when they initially pitched their idea or company to investors.

Founders should also seek complementary skills in Angels to be appointed to the board, and be prepared to 'let-go' enough to allow for mentoring and advice to be of use to them. A high level of complementary skills between founders and Angels may allow the board to be comfortable with a less controlling approach to governance.

R4. Board self-appraisals should be conducted annually by the boards of early stage ventures.

This is considered in any case to be good practice in more mature organizations.

These appraisals need not be overly complex or burdensome, but should include an examination of the interpersonal aspects contributing to board effectiveness, not just issues of task performance or director competences in business.

Examples of items for board members to contemplate include the level of relationship and process conflict on the board and the resolution processes available for dealing with these, the commitment of directors to the task of governing the company, feelings of belonging to the group, perceptions of the trust and respect climates, and how the management or the executive directors perceived their level of power compared to that of the non-executive directors (as a large imbalance can lead to trust issues).

R5. Angel investors without significant experience gained in a relevant industry sector, or in startup businesses, or as venture investors, should not seek or accept board appointments to early stage boards.

Experience is a valuable source of power for Angel investors on startup boards. This power source allows them to feel able to contribute to strategy and decision-making in the best interests of the organization. As Angel directors tend to dismiss inexperienced directors as ineffective, or non-contributing, damage to the interpersonal attraction component of cohesiveness, and thus effectiveness of the board may result.

R6. The board of an early stage company should seek an experienced Chair.

The Chair of a startup needs to be able to set in place standards, processes and norms such as described in recommendation 5 below, and put a positive governance regime in place. Many

founders and some investors are inexperienced at board level, and having an experienced hand at the tiller will avoid some of the issues with conflict as well as contributing to the knowledge and skills vital to the effectiveness of the board and its perceived effectiveness by directors.

R7. A startup board should have open conflict norms (the acceptability of airing any conflict within the group) for task conflict, and closed conflict norms for relationship conflict.

This study has confirmed the deleterious effects that relationship and process conflict (and unfettered task conflict) can have on task performance and cohesiveness on early stage boards. The Chair has an important role in helping a startup board be as effective as possible, by setting standards and norms for dealing with conflict. Having open conflict norms for task conflict is useful during ideation and debate, but leads to relationship conflict post decision-making. All directors must abide by the board's decision.

The Chair should not however allow the airing of relationship conflicts (i.e. closed norms should be enforced) during board meetings, as this exacerbates the negative effects of relationship conflict. Neither though, should the Chair ignore or avoid dealing with this type of conflict, but ensure that resolution processes are both in place and understood by all board members. The damage caused to board cohesiveness by relationship conflict appears to be not easily undone.

R8. Chairs of startup boards should ensure that appropriate norms and processes are in place for dealing with conflict.

These work to increase the level of perceived resolution efficacy (the perception of the board that the board is likely to be able to resolve the conflict). The perceived ability of the board to deal with conflict has been shown to have a moderating effect on process conflict in particular, and this type of conflict decreases the cohesiveness of the group and negatively impacts the ability of the board to perform its tasks. Chairs should also ensure that processes for dealing with conflict are focussed on the welfare of the board as a whole, rather than the individuals concerned, as this has a positive effect (and v.v. for individually-oriented processes) on the impact of conflict on both task performance and the overall mood of the board.

APPENDIX G: COMBINED PROPOSITION SET

For the convenience of the reader, a complete list of the propositions deriving from theory and from analysis of the data, developed during the course of writing the thesis is presented below.

G.1 Derived from the Conceptual Framework

Proposition 1. A company's industry sector, stage, and founders' skills and knowledge determine the roles and tasks of a board. Power dynamics on early stage Australian boards are shaped by these roles and tasks as they determine which sources of power may be available and inform role expectations.

Proposition 2. Power dynamics on early stage boards in the Australian context mediate the level of: divergent and convergent task conflict, willingness to use knowledge and skills, and effort norms. They thus influence the level of board effectiveness through task performance and cohesiveness.

Proposition 3. Process conflict on early stage Australian boards has a negative direct effect on task performance, and additionally an indirect negative effect on both cohesiveness and on task performance through its effect on the board's use of knowledge and skills, and on effort norms.

Proposition 4. Relationship conflict has a direct negative effect on cohesiveness, and an indirect negative effect on both cohesiveness and on task performance through its effect on effort norms.

G.2 Derived from Results of Analysis

Proposition 5a. Informal venture investors on Australian early stage boards perceive board effectiveness primarily through the lens of task performance.

Proposition 5b. Startup board discourse frames effectiveness as possessing the right technical skills, knowledge, experience, and access to resources, and subordinates other personal attributes and interpersonal skills.

Proposition 6a. Informal venture investors perceive cohesiveness as having a positive effect on board task performance, but do not perceive any positive effects of cohesiveness directly on board effectiveness.

Proposition 6b. Informal venture investors perceive very low (only) board cohesiveness as having a negative effect on both task performance and board effectiveness.

Proposition 7a. Angel investors do not perceive relationship conflict as impacting performance until it is more intense than mere dislike or irritation.

Proposition 7b. Informal venture investors perceive relationship conflict within the board as having negative effects on board cohesiveness through lower levels of interpersonal attraction, sense of belonging and task commitment.

Proposition 7c. When the level of relationship conflict increases over time, this is tracked by a corresponding decrease in feelings of belonging by the Angel director.

Proposition 8. Informal venture investor directors on early stage boards in Australia perceive their roles to include a significant amount of control and monitoring in addition to the strategic, advisory and resource gathering roles (contrary to previous findings, e.g. Zhang, Baden-Fuller and Pool (2011)).

Proposition 9a. The informal venture investors in this study perceive themselves to be relatively more powerful than the founders, though not necessarily more powerful than other investors on the board.

Proposition 9b. Angels are more similar to VCs than to entrepreneurs in their views on conflict (especially task conflict) on the boards of early stage companies, in that they a) expect it and b) have a greater tolerance for it, and view it more benignly than do entrepreneurs.

Proposition 9c. Informal venture investors have a preference for consensus-based board decision-making over voting, despite a tolerance of task conflict.

Proposition 9d. In Angel investor discourse, Angels are cast as the parent, and founders as children, making task conflict and mild relationship conflict less impactful on the Angel, and legitimating the advisory role.

Proposition 10a. Boards in different contexts will have different sets of power sources available to them.

Proposition 10b. Available power sources may influence which tasks a board performs, in addition to board roles and tasks influencing the availability of power sources (as predicted by Proposition 1 above).

Proposition 10c. Informal venture investors are familiar with, and rely to a large extent on the power source of experience in their interactions on boards. This can derive from experience in a particular industry, on boards, in startups, or as an investor, and aligns with the finding that Angel investors seek to bring experience as well as funding to a startup (Morrissette, 2007).

Proposition 11. A climate of trust and respect in the boardroom is strongly influential in the way that power and conflict are experienced on startup boards, as moderators of negative effects on cohesiveness.