Tensions in the Boardroom

A Cultural Perspective on Corporate Governance in the Dutch Financial Sector



Ellen Steijvers

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Tensions in the Boardroom

A Cultural Perspective on Corporate Governance
in the Dutch Financial Sector

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For Danny, Evy & Senna

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List of Abbreviations

AAO	Association Administration Office
AFM	Netherlands Authority for the Financial Market
BPF	Dutch abbreviation for Industry-wide Pension Fund
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
COO	Chief Operations Officer
DNB	Dutch Central Bank
ESRB	European Systemic Risk Board
ESFS	European System of Financial Supervision;
IMF	International Monetary Fund
IAC	Investment Advisory Committee
NGO	Non-governmental organization
NVB	Dutch Banking Association
PFG	Pension Fund Governance
OPF	Association of Company Pension Funds
SER	Social and Economic Council of the Netherlands
VB	Dutch Association of Industry-wide Pension Funds
UvB	Union of Occupational Pension Fund



Chapter 1

Introduction



1 Introduction

This study is about sensemaking of tensions in corporate governance in the Dutch financial sector. This chapter outlines the background of this study into corporate governance in the Dutch financial sector. Section 1.1 starts with the background to this study. In section 1.2 three developments shape the context for corporate governance: globalization of financial markets, democratization of governance policy and proliferation of law on corporate governance. In Section 1.3 the history of corporate governance is outlined. This historical overview ends by sketching forces in conflict, resulting in tensions. Based on approaches from the scientific discourse on corporate governance, these tensions are explained in Section 1.4. In Section 1.5 the research questions, objectives and relevance of the study are discussed. Finally, Section 1.6 closes this chapter with a reading guide.

1.1 Executive board and supervisory board in the spotlight

We read about it in newspapers, see it on television and talk about it during birthday parties, but do we really know what it means to work every day as an executive at an organization in the financial sector?

In recent years, corporate governance has been much in the public eye. Television programmes such as Zembla, Nova and Buitenhof devoted extensive attention to the role of executive board and supervisory board in the bankruptcy of the DSB Bank, the financial support provided to ABN AMRO, ING Bank, AEGON insurance and SNS Reaal by the Dutch government and investments in "immoral" products that were linked to illegal logging or the fabrication of cluster munitions. Moreover, the actions of former CEO of the DSB Bank, Dirk Scheringa and the former CEO of ABN AMRO, Rijkman Groenink, have long been topics of public discussion. Under their management, the banks flourished and earned big profits, but this period was followed by hard times and severe consequences. The DSB Bank eventually went bankrupt and ABN AMRO sold to the Belgian bank Fortis, the Scottish bank Royal Bank of Scotland and the Spanish bank Banco Santander and was ultimately taken over by the Dutch state. It should be emphasized that the financial crisis has

caused the activities of executives in the financial sector to be scrutinized. There was not only a financial crisis, and more specifically the crisis in the financial markets (credit crisis), but also a crisis of trust with respect to the financial sector. In the public debate, there appeared to be consensus on one topic: that the financial sector had failed, in particular at the executive level. This was supported by a documentary by Michael Moore (2009), Capitalism: A Love Story. This documentary told a story in which banks traditionally aimed to make profits, and that this type of policy at financial institutions resulted in the unfair distribution of the prosperity generated by capitalism. During the protests of the Occupy movement in October and November of 2011 in the Netherlands,[1] the popular slogan "We are the 99%" symbolized the economic inequality between the richest 1% in the world and the remaining 99%. The demonstrators considered greed in the financial sector to be one of the most important causes of the global financial crisis that began in 2008. Other slogans of the Occupy movement included: "Banks get bailed out, we get sold out! This is what democracy looks like! Whose streets? Our Streets!" Also, terms from the media, such as the greed and bonus culture[2], old-boys network[3] and glass ceiling[4] referred to the societal satisfaction about executive boards and supervisory boards in general and specifically those in the financial sector. Table 1.1 shows that in the

1 On Saturday, 15 October 2011, demonstrations and manifestations took place in Amsterdam, The Hague, Rotterdam and Utrecht. In Amsterdam (on the Beursplein) and The Hague (on the Malieveld) tent camps were set up. Similar actions were also proclaimed in other cities in the Netherlands.

2 The phrase greed and bonus culture refers to the societal dissatisfaction about the big salaries and bonuses that the financial sector continued to pay to its executives, even when the corporations suffered losses and jobs had to be eliminated.

3 The old boys network refers to the phenomenon in which the top executives in the business community belong to a closely knit group. The members of the old boys network come into contact with each other not only on the executive boards and supervisory councils, but they also have mutual links of friendship and family. They know each other from the better families and have often known each other since their college days, during which they often acquired their initial experience in governance on the boards and committees of fraternities (Fennema & Heemskerk, 2008).

4 The glass ceiling is a metaphor that refers to the invisible barriers (ceilings) that prevent women from attaining top-level positions in business and government. It distinguish itself from more visible barriers such as requirements for experience and education.

week that the present study was completed; corporate governance of the Dutch financial sector was still an important topic for discussion.

Table 1.1 Newspaper articles about corporate governance in the Dutch financial sector in the week of 19th October 2015

The question is whether sustainability can be permitted reduced the pension yields... Pension funds have been wholesalers of somber news. Due to the low coverage ratio, pensioners cannot expect any extras. But it is not all doom and gloom. In the coming years the country's largest pension fund will be significantly revise its investment portfolio (*Trouw,* 19 October 2015).
'Over-regulation must stop' European policy makers can be proud of the measures taken to prevent a new financial crisis, but they are now threatening to go too far and saddle the financial sector with excessive regulatory pressure, argues Karel Lannoo, CEO of the influential Brussels think tank Ceps (*Het Financieele Dagblad,* 20 October 2015).
The international market for top executives does not exist Study concludes that the market does not justify increased incomes Despite major economic changes in recent decades, most of the top executives in the Netherlands are Dutch citizens who have spent their careers in their home country and have a Dutch network. Even in the small and open Dutch economy, there are few indications of the existence of an international market for top executives that is regularly referred to in the debate on executive pay (*De Volkskrant,* 22 October 2015).

In the current public discourse on corporate governance, the number of incidents is a daily topic of conversation. This approach to corporate governance, which focuses on the number of incidents, can be referred to as the objective approach (Duijnhoven, 2010). A striking aspect of this approach is that rules, competencies, duties and responsibilities are considered as principles of good corporate governance. A question that periodically arises in the context of objective corporate governance is whether laws, regulations and codes help to prevent fraud and accounting scandals. In his study, Cools[5] (2005) compared 25 fraudulent enterprises from various sectors and countries with 25 "honest"

5 Cools is a member of the Corporate Governance Code Monitoring Committee, professor of corporate finance on the Economic Faculty of the University of Groningen and Executive Advisor at The Boston Consulting Group.

companies of comparable size and activity; he came to the conclusion that laws, regulations and codes did not cause the "accidents". In fact, the 25 fraudulent enterprises scored the same in this respect as the "honest" businesses. He found that the differences had to do with greed, egotistical behaviour and exploiting unrealistic expectations. Smit (2009) described how the Netherlands lost its most important bank to foreign owners[6] due to the prideful, arrogant attitude of the bankers of ABN Amro, who wanted too much and communicated poorly with each other. Furthermore, various books have been written about the bankruptcy of DSB and the megalomania of its founder, Dirk Scheringa (Conijn, 2010; De Groot & Van Gessel, 2009). In the studies and corporate biographies cited in these books, the following aspects were indicated as causes of the failure of the banks: lack of good interaction between the executive board, supervisory board and other actors in and around the boards of governance, lack of strategic focus, groupthink, power struggles, greed, vanity, arrogance and megalomania, indecision and lack of morality and decency. These causes indicate that factors other than laws, regulations and codes –such as the nature of the individuals, the network of personal relationships in which they participate, and the way in which they deal with each other– are decisive for that which takes place in the boards of governance in the financial sector. In accordance with the notion of Duijnhoven (2010), in the present study this attention to more implicit aspects is called the subjective approach. The present study focuses on the subjective approach of the executives, members of supervisory boards, works councils, employers' associations, shareholders' associations and other actors in and around the boards of governance regarding matters of corporate governance.

The background to this study was not only my curiosity about the world of the actors in and around the boards of governance, but also my fascination with the future manifestation of corporate governance. Researchers from various scientific disciplines have questioned the tenability of the current governance models. Management consultants, business consultants, economists and management gurus are of the

6 The Belgian bank Fortis, the Scottish bank Royal Bank of Scotland and the Spanish bank Banco Santander.

opinion that the traditional hierarchical organizational structures are less and less suited to operating in a turbulent environment. In 2002, the renowned economist Drucker predictted that during the subsequent 15 years not only would corporate governance models have to be revised and transformed, but also the corresponding organizational concepts and organizational instruments (Drucker, 2002). According to business administration scholars, the emergence of the concept of governance can be explained by the new political and administrative arrangements that can be observed and can be considered to be, for example, the reflection of the pursuit of more effective forms of governance (Hajer & Wagenaar, 2003). On the other hand, the emergence of the concept of governance (corporate or otherwise) can be seen as a reflection of a more fundamental change in attitudes on how political and administrative processes must be given shape in present-day society (Kooiman, 1993). Consequently, business administration scholars believe that the notion of corporate governance can become a new vocabulary with which academics and practitioners can discuss this topic (Hajer & Wagenaar, 2003).

My curiosity about the new vocabulary on corporate governance and the story of actors in and around the boards of governance led me to study subjective corporate governance in the financial sector. The core of the present study concerns the perception of corporate governance by actors in and around the boards of governance in the Dutch financial sector. A study of the perceptions of corporate governance should start with a brief history and current use of this concept.

1.2 Existence of corporate governance

Events in corporate governance occur in rapid succession. Consequently, actors in and around the boards of governance are confronted during their activities with a high level of complexity. To acquire insight into this acceleration and the institutional, societal and economic context of corporate governance, in the following section three developments are explained that have played a major role in this process: the globalization of the financial markets, the democratization of governance policy and the proliferation of law on corporate governance.

Globalization of the financial markets

Globalization can be defined as a process of intensification of cross-border social interactions due to declining costs of connecting distant locations through communication and the transfer of capital, goods, and people (Scherer & Palazzo, 2011). Important actors in the financial sector that play a role in this trend are the International Monetary Fund and the World Bank (Stiglitz, 2003; Klein, 2007). Multinational corporations that aim for permanent expansion are another important group of actors (Bakan, 2004; Klein, 2000). Went (2008) stated that investors and the multinational corporations are the strongest actors driving the globalization process. The development of Information and Communication Technology (ICT) has played a major role in globalization. In his book The World is Flat (2005), Friedman vibrantly described the radical change resulting from the Internet and its enormous potential for people. Products are compared to each other and purchased and manufactured where this can be done the cheapest. This competition has resulted in an increase in takeovers and mergers in the world (and the financial sector is no exception). Besides the competition between financial institutions, the competition between countries is also increasing. For example, the Netherlands wants to compete with London, because it wants to show that it is the financial heart of Europe. Globalization results in rapidly changing interactions. As a result, concepts, trends and ideas influence each other and are more likely to be taken over by each other. Also globalization results in concepts, trends and ideas influencing each other and being accepted more rapidly. Regarding the content of corporate governance, this means that companies in Anglo-Saxon countries[7] and Rhineland countries[8] are becoming increasingly similar to each other (Peij, 2007). The growing similarity of the Rhineland and Anglo-Saxon

7 In the Anglo-Saxon countries, the shareholder has a dominant position. This can also be seen in the definitions of corporate governance in Anglo-Saxon countries, as exemplified by the description the American economists Shleifer and Vishny (1997). They describe corporate governance as "The ways in which suppliers of finance to corporations assure themselves of getting a return on their investment".

8 People who live in countries adjacent to the Rhine (including the Netherlands, Germany and Austria) think in terms of 'community' and take account of social factors such as nature, the environment and employment, and they have a long-term mentality (Bakker et al., 2005).

traditions has also led to the Rhineland two-tier systeem[9] and the Anglo-Saxon model with its one-tier-system[10] (Garatt, 1996; Douma, 1997; Rhodes & Van Apeldoorn, 1998) replacing each other more and more often. This means that the job description of a chairman of the board sometimes changes accordingly (Peij, 2007). The rapidly changing interactions also result in a complex financial system. Interdependency and trust are two key concepts of this system. The interdependency between financial institutions became visible when governments worldwide[11] began to lend billions to systemically important banks[12] to defuse the crisis. The phrase "Too big to fail" was used frequently in this context because the collapse of the financial institution would have had severe consequences for the operation of and trust in the financial system.

Democratization of governance policy

In the 1990s, a shift took place in the literature on policy from government to governance. According to Rhodes (2007) governance is used in contrast to government, to indicate that the policy is implemented differently. Due to the increasing complexity of society, the traditional top-down policy approach had to make way for a more flexible structure and a more decentralized policy with greater participation by various players (from civil society and elsewhere). Today, in contrast to 40 years ago, people no longer accept the proclamations of traditional authority

9 In the Netherlands, we have traditionally had the two-tier system of corporate governance: the executive board is responsible for the daily management of the corporation, while an independent supervisory board (consisting of non-executives) monitors the executive board.

10 The Anglo-Saxon countries have a one tier system: there is only a single board of directors consisting of executives as well as non-executives (the latter having a more supervisory role). The position of the Chief Executive Officer (CEO) is combined with that of the chairman.

11 During the credit crisis the Dutch government rescued ING, SNS Bank, AEGON and NIBC with loans. In addition ABN AMRO was rescued by being taken over by the Dutch state. Subsequently, the SNS Bank was nationalized.

12 The Financial Stability Board compiles an annual list with systemically important banks worldwide. A systematically important bank is a bank that is essential for the financial system and thus for the functioning of the economy and society. A bankruptcy of a systematically important bank has such severe consequences for the economy that governments rescue these banks if they are threatened with collapse.

figures such as teachers, pastors, politicians or bank directors. This change has been an important impulse for a different approach to management, in which earning and building trust plays a dominant role in motivating employees. It should therefore be clear that a wealth of new and fashionable strategies such as empowerment, interactive policy-making (Van Der Arend, 2007), citizen participation (Edelenbos & Monnikhof, 2001), horizontal forms of governance (Soerensen & Torfing 2006; Teisman, 2005) and corporate social responsibility (Den Hond et al., 2014; Lockett et al., 2006), have in fact all emerged from that stronger awareness of increasing participation and mutual responsibility.

Proliferation of law on corporate governance

Due to the financial crisis in 2008, international accounting scandals and other events in the financial sector, the legitimacy of the sector is under pressure. To restore trust in the financial sector, solutions are being sought in laws, codes and regulations. International examples include the publication of the Principles of Corporate Governance (OECD, 2004), Basel[13] II (Basel Committee on Banking Supervision, 2006) III (Basel Committee on Banking Supervision, 2010, 2013 and 2014). In addition, existing institutions such as the International Monetary Fund (IMF) have been given a more powerful, central role in the international financial system, and new institutions such as the Financial Stability Board (FSB)[14], the European System of Financial Supervision (ESFS) and the European Systemic Risk Board (ESRB)[15] have been established to oversee laws, codes and regulations. At the national level, under the responsibility of the Minister of Finance and the Dutch Central Bank (DNB), the international and European guidelines have been implemented in Dutch legislation. This has been done not only through regulation by means of new or amended legislation, but also through self-regulation in the area of corporate governance. This began in 1997 with the recommendations of

13 Basel II and III are international accords that regulate the supervision of solvency at internationally active banks and that are intended to prevent banks from getting into financial difficulties.

14 The FSB was established to identify the vulnerable aspects of the international financial system and propose solutions.

15 The ESFS and the ESRB were established to strengthen the supervision of banks in Europe.

the Peters Commission[16] (Commissie Corporate Governance, 1997), after which the Tabaksblat Commission[17] (Commissie Corporate Governance, 2003) published the Corporate Governance Code. Following this, the Frijns Commission[18] (Monitoring Commissie Corporate Governance Code, 2009) updated the Code. In 2013, the Dutch parliament also implemented the banker's oath for policymakers and supervisors of financial institutions. The legislators decided to require a moral-ethical declaration in response to the doubts that arose during the years of the financial crisis regarding the activities of bankers and others in the financial sector. In this sense, the oath was also intended to help restore trust in the financial sector. The financial sector itself also took initiatives to help restore public confidence. Examples include the Banking Code (2010) formulated by the Dutch Banking Association (NVB) and the Code of the Dutch Pension Funds (2014) formulated by the Federation of the Dutch Pension Funds and the Labour Foundation[19]. Monitoring committees oversee compliance with all these codes.

The globalization of the financial markets, the democratization of the governance structure and the proliferation of law on corporate governance are developments that have had a major impact on corporate governance in the financial sector. This section has shown that the financial crisis and the crisis of trust have played a major role in shaping the sector as it stands today. The history of corporate governance has also influenced its current implementation. The following section therefore outlines this history.

1.3 Historical outline of corporate governance

Nearly all authors in the Netherlands begin the story of corporate governance with the founding of the East India Company (VOC) in 1602 (Gelderblom & Jonker, 2005; Frentrop, 2002). Although the concept of

16 The official name for both the Peters Commission and the Tabaksblat Commission is the Commission on Corporate Governance. To distinguish these commissions, in the present study they are referred to under the names of their respective chairpersons.
17 Idem 16.
18 The Frijns Commission under the leadership of Prof. Dr. Jean Frijns, former chairman of the ABP Pension Fund and Professor of Investments at Vrije Universiteit Amsterdam.
19 The Code Pensioenfondsen (Pension Funds Code) is part of the comprehensive process to modernize the Dutch pension system and make it sustainable for the future.

corporate governance did not yet exist, these authors saw the new method of financing used by the VOC as the starting point of its development: overseas trade was no longer being financed on an individual basis, but was supported by the VOC and its Board of Directors, de Heeren XVII. At that time, the executives of the VOC were required to account for their financial policy associated with this new method of financing only after a period of 10 years. The executives therefore found themselves in a certain position of power with respect to their financiers (Alchian & Demsets, 1972; Jensen & Meckling, 1976; Fama & Jensen, 1983). This power relationship between shareholders and executives is still a topic of discussion today. However, corporate governance has changed. Based on the following historical milestones, beginning in the 1960s, this section addresses these changes in corporate governance.

According to the historian Righart, in the 1960s the Dutch economy began to grow enormously and the people who had worked so hard for this also wanted to share in the emerging prosperity (Righart, 1995). In the public discourse, it became clear that there was no agreement about the distribution of economic benefits. As part of the discourse, the trade unions argued that the distribution was clearly unfair. For example, in his famous speech on 19 October 1968, the trade unionist Mertens stated that the real power was held by about 200 individuals in leading positions, who gave each other the top jobs. Although this statement was not based on solid facts[20], the "the 200 of Mertens" quickly became a standard phrase in public discourse. To legally regulate these mutual relationships, the Dutch government established the Commissie Ondernemingsrecht (commission on Corporate Law) under the leadership of Verdam. The work of the Verdam Commission, following a recommenddation of the Social and Economic Council of the Netherlands (SER)[21],

20 This statement was later investigated by a group of political scientists (Helmers et al., 1975). In this case it concerned dual functions in the Dutch business community, i.e. multiple appointments of officers on the executive boards and supervisory boards of the largest enterprises and in governmental institutions and semi-governmental bodies. Of the 86 organizations that were studied, 84 were mutually linked by 873 dual positions, held by 195 individuals, only 5 fewer than Mertens had predicted.

21 The SER is an advisory body consisting of businesspeople, employees and independent experts who advise the government and parliament on social and economic policy.

resulted in the structuurwet[22] (Structure Act) of 1971. The new corporate structure was characterized by the central position of the supervisory board, whose tasks and competencies[23] were expanded by the Act (1971). In this new structure, the shareholders' association and the works council both had the right to veto each appointment to the supervisory board. This was an attempt to give employees and shareholders an equivalent legal position. The new Act laid the foundation for the legal concept of corporate governance, in which the leading roles were not limited to the shareholders and executives, as was the case during the VOC, but were expanded to include employees.

The concept of corporate governance was actually not introduced until 1977. This combination of words simply did not exist (Zingales, 1995). The concept of corporate governance is the successor to the concept of corporate control, which refers to the disciplining effect that the corporate takeover market has on managers. Following the wave of takeovers in the 1980s, however, it turned out that poorly performing enterprises continued to exist. In response, more attention was paid to the control of shareholders on company policy. Therefore, besides control via the corporate takeover market, the concept of corporate governance also refers to the function of the shareholders association in monitoring corporate governance. The replacement of the concept of control by the concept of governance indicates a shift from control by exit to control by voice. In the 1970s, the concept of corporate governance also acquired a more ethical connotation. At that time, the debate became dominated by specific issues such as trade with South Africa (due to the apartheid regime), and issues in the areas of the environment, children's rights, discrimination, human rights and climate. Later on, in the 1980s, the core theme became the ethics of corporate governance with an accent on morality and values in managing organizations, linked with the term stakeholders (Freeman, 1984; Freeman & Evan, 1990). According to

22 Enterprises which in more than fifty percent of employees work abroad are not required to implement the full structure regime. As a result, most of the biggest Dutch multinationals (including ING, ABN AMRO) are not subject to this regime.

23 It was primarily the supervisory board that acquired more competencies, such as appointing executives, adopting the annual accounts and approving key decisions such as mergers, major investments, dismissing large numbers of employees and issuing shares.

some, the stakeholder approach of Freeman (1984) was actually a counter-movement to the increasing dominance of the Anglo-Saxon approach in the 1980s.

The 1990s were characterized by the combination of new technological possibilities, such as the use of mobile telephones, and rapid economic growth. Especially the second half of the 1990s was characterized by great optimism in the West. Due to this prosperity, faith in the market mechanism (as practiced in the USA) increased, also in the Netherlands. This period was dominated by terms such as privatization, commercialization, managerialism, New Public Management and liberalization. Also during the 1990s, enterprises in Europe, just like those in the United States, were faced with the emergence of institutional investors. In this period, these investors initially took an activist role, with the aim of realizing changes in corporate governance at the enterprises in which they invested. As a result, the concept of shareholder value was introduced in the 1990s, in which profit maximization is the ultimate goal. Beginning with the 1990s, the remuneration of executives was linked to the financial performance of the enterprise. This encouraged executives to focus on and devote themselves to achieving maximum market value. This served the interests of shareholders as well as executives. However, the pressure on executives, managers and employees increased as a result. In 1996, under the leadership of Peters[24], the Dutch coalition government established the Dutch Corporate Governance Commission to investigate whether the balance between the supervisory board, executives and shareholders at the listed companies was sustainable. In 1997, the Commission presented its findings in a report: the Dutch Corporate Governance Code. As a result, corporate governance was labelled as a system of etiquette for the corporation and its directly involved stake-

24 The official name for all three commissions –Peters Commission, the Tabaksblat Commission and the Frijns Commission– is the Commission on Corporate Governance. All of these commissions consisted of leading executives and academically qualified or experiential experts from banks, pension funds, stockholders associations, businesses, accounting firms and professors from academia. To distinguish these commissions, in the present study they are referred to under the names of their respective chairpersons. Peters was the former chairman of the board of Aegon. Aegon was originally a Dutch multinational company that offered customers life insurance, pensions and asset management products.

holders. The code emphasized the supervisory board and otherwise did not make any specific statements about the rights of shareholders or proposals to change the law. It also did not make any recommendations to bid farewell to the structure regime of 1971.

At the beginning of the 21st century, De Jong et al. (2001) concluded that compliance with the Dutch Corporate Governance Code (1997) was poor. For example, they found that enterprises paid only limited attention to the operation of the supervisory board and provided little information about corporate governance in their annual reports. Moreover, the study showed that a number of businesses tried to comply with the code especially in terms of form, but that substantive compliance was limited. In response to these findings, the coalition government decided to appoint a new commission on corporate governance under the leadership of Morris Tabaksblat[25]. The Tabaksblat Commission decided to take a much more Anglo-Saxon approach than the Peters Commission. It updated the Dutch Corporate Governance Code (2003) with more than 100 rules on topics such as duties, methods and remuneration of executives and members of corporate supervisory boards. In addition, the position of shareholders was strengthened. For example, the Code states that a member of a corporate supervisory board cannot hold more than five such positions in other organizations, that executive board members can be appointed for a term of no more than four years and that the golden handshake for departing executives can amount to no more than one year's salary. Subsequently, in December 2008, the Code was updated by the Frijns commission[26] and has also been monitored annually by the monitoring commission on corporate governance. This commission also reports to the Minister of Economic Affairs, the Minister of Security and Justice and the Minister of Finance.

25 In 1984, Tabaksblat became a member of the executive board of Unilever, and in 1994 was appointed chairman of the board of this multinational. From 1999 to 2005, he held the position of chairman of the board of Reed Elsevier, and from 2000 to 2005 he was chairman of the supervisory board of AEGON and TNT NV.

26 Frijns worked first at Statistics Netherlands (CPB), where he became deputy director. In 1988 he went to work at the ABP, the pension fund for public sector employees, where he became director of investments and member of the executive board. ABP is the largest pension fund in the Netherlands. He remained in this position until 2005. In 1995 he was appointed professor of Investment Theory at Vrij Universiteit Amsterdam.

In recent years, the discussion on corporate governance has paid much more attention to Corporate Social Responsibility (CSR). For example, the Burgmans Commission, which conducted a study in 2008 into the relationship between CSR and corporate governance (Ministerie van Economische Zaken, 2008), ascertained that the integration of CSR in operational management results in an improved connection with clients, investors and employees. According to the 2008 advisory report of the SER on CSR the definition of CSR varies, depending on time and place. The SER recommendation (2000) used the following definition: CSR is concern for the social effects of the functioning of the enterprise in which two elements determine whether one can justifiably use the term:
– deliberately focusing the business activities on value creation in three dimensions (profit, people, planet), thus contributing to social prosperity in the long term;
– maintaining a relationship with the various stakeholders based on understanding and dialogue, which provides answers to legitimate questions from society.
Much is known about CSR (Den Hond et al., 2014; Lockett et al., 2006), especially in multinational enterprises (Maignan & Ralston, 2002); the business advantages of CSR (Aguinis & Glavas, 2012; Carroll & Shabana, 2010); civil society involvement (Den Hond & De Bakker, 2007); and the politicization of CSR (Scherer & Palazzo, 2011). Various studies have examined the relationship between CSR and governance. For example, Jamali, Safieddine and Rabbath (2008) concluded in their study that there is a clear two-way interaction and increasing overlap between corporate governance and CSR. Saconni (2006) concluded that CSR is an expansion of the corporate governance model. Other researchers have suggested that an integral approach should be taken towards sustainability, risk management and governance (Lenssen et al., 2014).

This brief historical overview shows that corporate governance is a broad concept. Corporate governance not only concerns the shareholders and owners, but other stakeholders as well, such as employees, interest groups, the media and society itself. In addition, corporate governance is no longer limited to the economic distribution of profits, but also involves laws and regulations, ethics and corporate social responsibility. Within this broad concept of corporate governance, in which many

actors and themes play a role, there are also various tensions. Based on scientific approaches to corporate governance, the following section focuses on these areas.

1.4 Tensions in corporate governance

The two dominant scientific approaches to corporate governance are the principal-agent approach and the stakeholder approach. Tension can be observed not only between these approaches, but also within them. As tensions are central in this study, an overview of important theoretical of tensions in corporate governance is given below.

The dominant theory in the scientific discourse on corporate governance is the principal-agent theory (Alchian & Demsets, 1972; Berle & Means, 1932; Jensen & Meckling, 1976; Fama & Jensen, 1983). The principal-agent theory centres on the relationship between the agent, who makes decisions on behalf of the principal (shareholder). This relationship does not always proceed smoothly because the interests of the shareholder do not always correspond with those of the executive board. In his famous book The Wealth of Nations, Smith (1776: 700) formulated this problem clearly:

> The directors of such (joint-stock) companies, however, being the managers rather of other people's money than of their own, it cannot well be expected, that they should watch over it with the same anxious vigilance with which the partners in a private company frequently watch over their own.

In other words, the shareholder aims for the highest possible yield on his or her invested capital. Based on this self-interest, the theory describes the behaviour of the principal as follows: the principal attempts to monitor the behaviour of the agent and to find incentives that motivate the agent to keep an eye on the interests of the principal. In principle-agent theory, the agent must pass the ultimate test: whether they have attained the desired financial result and whether this is in line with the plans and prognoses to stay ahead of the competition. In case of disappointing financial results, the shareholders can decide to fire the executive board. The executive board is expected to make every effort to achieve the desired financial results for the enterprise, but they must

also take account of the interests of other actors whom they need to achieve these financial results.

In the literature, this broad perspective of considering the interests of other actors falls under the stakeholder approach. One of the founders of the stakeholder approach, Freeman, defines a stakeholder as: "any group of individuals who can affect or is affected by the achievement of the firm's objectives" (Freeman, 1984: 47). In contrast to the principal-agent approach, the stakeholder approach concerns not only the creation of shareholder value, but also has the aim of creating value for all stakeholders involved with the enterprise. The tensions within the stakeholder approach is more comprehensive than that in the principal-agent approach. In the literature on the stakeholder approach, essentially three categories of stakeholders are defined: the shareholder, the direct stakeholder and the community state welfare dimension (Waldman et al., 2006). The latter category concerns the responsebility of corporate governance for society in general. Furthermore, the stakeholder approach is subdivided into the instrumental approach and the normative approach (Donaldson & Preston, 1995). In the instrumenttal approach, shareholders, stakeholders and the community welfare dimension are defined as individuals or groups that provide an important contribution to the continued existence of the enterprise (Donaldson & Preston, 1995). Jansen (1998) referred to target-utility ethics or utilitarianism, in which efficiency thinking is dominant.

The first category, the shareholders, assume that the executives pursue economic values such as profit maximization. The principal-agent approach is based on a particular view of reality: rational selfinterest. One criticism of this school of thought is that in reality a decision-maker does not operate rationally, in the sense that he or she knows everything, considers everything and makes the best choice. The term bounded rationality of Simon (1961) applies to this situation. The instrumental reasoning of the stakeholders, the second category, is that each

stakeholder contributes to the aims of the enterprise[27]. There is mutual dependence between the stakeholders, and a balance is usually established between them. This mutual dependency, on which the power of stakeholders is based, is the consequence of three related aspects: the position of the stakeholders, their degree of irreplaceability and the extent to which they are organized and aware of their power (Hickson et al., 1971; Pennings & Goodman, 1977). On the basis of this balance, it is generally assumed that a temporary dominant coalition emerges (Thompson, 1967). In this approach, corporate governance is seen as the representative of the dominant coalition. It determines the direction of the organization. It should be noted that these characteristics can differ according to the situation. For the third category, the community state welfare dimension, in the instrumental approach corporate governance cannot afford to disregard society. In fact, one could say that the continuity of the enterprise depends largely on the perception that emerges in society concerning the reputation of the enterprise (Boot & Soeting, 2004).

Besides the instrumental approach, Donaldson and Preston (1995) also distinguished the normative approach. Corporate governance not only has to deal with economic aspects such as financial value, but also with intrinsic value. For the first category, the shareholder, the literature on the principal-agent approach has paid much attention to the normative interaction between the executive board and the shareholder. It assumes a negative view of humanity, in which the executive is lazy, risk-averse and operates primarily on self-interest instead of on the interest of the organization (Corbey, 2010). The second category, the stakeholders, is used in the normative approach to interpret the function of the organization, including the identification of the moral and philosophical guidelines for the operation and management of the organization. Relevant studies have linked concepts such as corporate social

27 Customers are important stakeholders because they purchase the products of an organization for a specific price. The government issues permits and makes laws on what is and what is not permissible. Furthermore, employees provide labour and knowledge to an organization, for which they are rewarded. The latter develop power as a stakeholder when they organize themselves into a trade union, which in this approach is also considered to be a stakeholder.

performance and responsibility to the third category, the community state welfare dimension (Caroll, 1979; Wartick & Cochran, 1985; Wood, 1991). According to this theory, the executive board –which represents the organization– must take account of the interests of many parties in society and behave as a responsible member of society. As a foundation for this normative approach, the social justice theory of Rawls (1971) has usually been cited (Clarkson, 1995; Freeman, 1984). In this system of ethics, moral obligations are derived from the principle of justice. In this context, Jansen (1998) referred to deontology or duty-based ethics. Rawls defined a just society as a society in which: "all social values – liberty and opportunity, income and wealth and the bases of self-respect are distributed equally unless an unequal distribution of any, or all, of these values is to everyone's advantage" (Rawls, 1971: 62). Lindblom (1994), followed by Deegan (2002), defined legitimacy as agreement between the social values that are propagated by the activities of the enterprise and the social values of society as a whole. For the executive board, much of their tensions come from sources beyond their control. In contrast to the stakeholder approach, in the normative approach the community state welfare dimension is not directly visible and the compass does not point to formal rules.

From the foregoing explanation of the tensions, it can be concluded that the approach taken here links up with the view of the World Bank, which stated that corporate governance "aims to ensure a balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of sources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society" (Sir Adrian Cadbury at the Global Corporate Governance Forum, World Bank, 2000). Table 1.2 provides an overview of the views concerning the tensions.

Table 1.2 Theoretical overview of the most important tensions in corporate governance

Category/ Approach	**Instrumental approach**	**Normative approach**
Shareholder (characteristics: economic values)	Corporate management must focus on maximizing the yield for the shareholders (economic values) and efficiency.	The normative act between the actor and the shareholder is most important.

Stakeholder (characteristics: economic and intrinsic values, manageable, tangible and formal institutions are important)	In this approach, corporate management is seen as the representative of the dominant coalition. It determines the direction of the organization.	Questions which are central here are: How is the function of the organization interpreted? How are the moral and philosophical guidelines for the implementation and management of the organization interpreted?
Community state welfare dimension (characteristics: intrinsic values, uncontrollable, elusive and formal institutions are subordinate)	Corporate management cannot allow itself to disregard society. In fact, one could say that the continuity of the enterprise depends largely on the perception that emerges in society of the reputation of the enterprise.	The two main questions are: Are the social values such as freedom and the foundation of self-esteem applied to everyone? Is there agreement between the values propagated by the executive board and the values of society (legitimacy)?

Tension exists not only between the various approaches, but also between the various categories. For example, society at large demands sustainability, while at the same time investor communities increasingly demand profit over the short term (Steijvers, 2008). The present study concerns how the actors in and around the boards of governance deal with these tensions in practice. In the following section, this central theme is developed into research questions, aims and the relevance of the research.

1.5 Research questions, aims and relevance

If a study focuses on the way in which actors give shape to the tensions in corporate governance, then particular focus is required on how people in everyday life talk about and cope with these tensions (that are related to corporate governance). This means that if one wants to know more

about the ways in which people give shape to corporate governance, then one is compelled to delve into how people in everyday life make sense to this concept. In this study, executives, members of supervisory boards, employers' associations, works councils and shareholders' associations, as well as other actors surrounding corporate governance, are viewed as participants who are capable of deliberately influencing their social-cultural environment. The research scope focuses on the executive board and the supervisory board. For the purposes of this study, I have called the combination of these two actors "the boards of governance". The research scope is shown below in Figure 1.1. To improve the readability, in the present study the formulation actors in and around the boards of governance is used instead of identifying all these actors. Where relevant for this study, however, the actors are identified. Corporate governance is considered to be a dynamic concept: participants in and around the boards of governance in the financial sector interact and exchange their beliefs about corporate governance, and in this way create governance themselves (Section 2.1). Building on this view, the present study is consistent with the generally accepted definition of corporate governance: "Corporate governance is about management and control, about responsibility and influence and about accountability and supervision" (Commissie Corporate Governance, 2003).

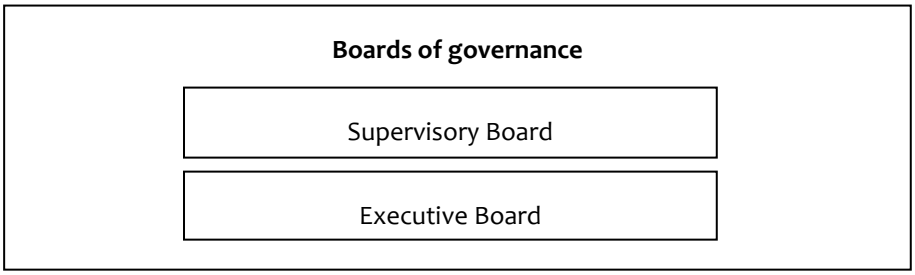


Figure 1.1 The research scope of this study

The present study focuses on the experience and interaction of actors in and around the boards of governance concerning corporate governance: When is an enterprise well- managed and why? When do things go wrong and why? How can the boards of governance deal with complex issues? How do the boards of governance operate? How do they interact with

their stakeholders, which aspects of this interaction go well and which do not, and which systems play a role in this process? Which practices are successful and which practices impede good governance? To answer these questions, the sensemaking of participants in and around corporate governance must be studied based on the assumption that sensemaking can be both a source of change and a source of preservation and continuity. This leads to the central research question of the study:

How do actors in and around the boards of governance in the financial sector make sense of tensions in corporate governance and how do these tensions manifest themselves in practice at a pension fund and a bank?

This study focuses on two case studies in the financial sector: a pension fund (BPF) and a bank (Florabank). To ensure the anonymity of the organizations, fictional names have been used (Section 3.4.2). The selection of the case studies is the result of a combination of substantive and practical reasons. The most important substantive reason is that the financial sector is very diverse. A pension fund and a bank can be defined as two extremes. For example, within the financial sector a bank is seen as the most commercial organization and a pension fund as the least commercial. The differences between this bank and this pension fund primarily concern the management models. The executive board of BPF consists of representatives of employer and employyee organizations (Sections 4.1.1 and 4.2.2), while the executive board of Florabank consists of the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Chief Operations Officer (COO) (Section 5.2.3). Besides the substantive reasons, there is also a practical reason for choosing these two case studies. I had difficulty gaining access to organizations in the financial sector for the purposes of my study. The bank and the pension fund gave me permission to conduct my research (Section 3.4.2).
The anthropological point of departure of this study lies in both the methodology and the research object. Anthropologists have a broader perspective on human society than other disciplines. They also believe in combining these various scientific approaches to study the others, and therefore make use of current theories and approaches from other

disciplines, such as sociology and psychology. Even when anthropologists focus on only a single aspect of society, they do this from the perspective that this aspect is part of a complex totality and which must be understood accordingly (Kloos, 1991). They also assume that the substantial socio-cultural differences in human societies which can be observed in time and space are only variations on certain themes. Anthropological research is therefore contextually determined and bound to unique situations. The context refers to the circumstances in which something is done, in response to which a story was told and what the previous history was (Ten Have, 1977). This holistic perspective and the attention to context gives anthropology added value relative to other disciplines. For example, in her book Fool's Gold (2009), Tett, the British anthropologist and reporter for the Financial Times, concluded that a sacrosanct belief in the self-regulating ability of the free market blinded people to the bitter reality that everyone could see approaching. She stated in an article in The Guardian (Barton, 2008) that it was not her financial knowledge, but her anthropological approach that led her to these conclusions: "I happen to think anthropology is a brilliant background for looking at finance. Firstly you're trained to look at how societies or cultures operate holistically, so you look at all the bits move together. And most people in the city don't do that" (Barton, 2008: 12). The Dutch journalist and anthropologist Luyendijk (2015) also reported on his anthropological research into the financial world in the city of London.

The anthropological contribution with respect to the research object is the attention for culture (Tennekes, 1995). Culture is chosen because the explanations of poor corporate governance have been frequently sought in the cultural perspective. According to Lückerath-Rovers (2011), the increasing prominence of this cultural approach has multiple causes. Firstly, this is because the financial crisis has been attributed largely to the shortcomings of corporate governance including the high degree of groupthink, intellectual myopia and the apparent undesirability of dissent (Organisation for Economic Co-operation and Development (OECD), 2009, Independent Evaluation Office of the International Monetary Fund (IEO), 2011). Secondly, more is being written and discussed about the importance of the culture of corporate boards of governance (executive board and supervisory board or supervisory council). For example, based

on interviews with employees of Morgan Stanley, Merrill Lynch, Lehman Brothers, Goldman Sachs, J.P. Morgan and other organizations in the financial sector, the American anthropologist Ho (2009) concluded that investment bankers strive for higher shareholder value not only for ideological reasons, but that the culture of Wall Street also makes an important contribution. More is also being said about the importance of the culture of management and supervision. For example, the DNB has established a new expertise centre on Culture, Organization and Integrity[28] to give more shape and content to the supervision of behaviour and culture. Furthermore, the De Wit commission[29], a commission of inquiry of the Dutch Parliament, which conducted a study into the problems in the financial system and their causes, stated in its final report that a change in culture is essential. The third cause is that the functioning of members of executive and supervisory boards –due to the increased availability of public information– can be evaluated much more frequently by society, and conclusions, correct or incorrect, can then be quickly drawn (Minichilli, Grabielsson & Huse, 2007).

As mentioned previously, the majority of studies on corporate governance are about objective corporate governance. Few studies have focused on the subjective perceptions (lifeworld) of actors in corporate governance. This study focuses on the theoretical descriptive and explanatory aspects of the lifeworld of actors in and around the boards of governance. The theoretical aspect lies in the question of how the concept of sensemaking of tensions in corporate governance can be operationalized in the literature. The descriptive aspect focuses on the question of how actors in the financial sector deal with tensions within corporate governance in practice. Finally, this leads to the explanatory aspect, which centers on the question of which factors play a role in these tensions. These theoretical, descriptive and explanatory aspects of this study can be transposed into the following three research questions:

28 DNBulletin 12 April 2011.
29 The De Wit commission is chaired by Jan de Wit, a Dutch politician for the Socialist Party. De Wit is a former lawyer and solicitor.

1. **How is the concept of sensemaking of tensions in corporate governance operationalized in the literature?**
2. **How do actors in and around the boards of governance of BPF and Florabank deal with tensions in corporate governance?**
3. **Which explanatory factors can be identified in and around the boards of governance in the financial sector that elucidate the tensions in corporate governance?**

The aim of this study is to understand how actors in and around boards of governance make sense of corporate governance, taking into account the specific context in which they operate. Although various combinations are possible, in scientific studies on corporate governance, essentially two scientific perspectives are applied. These perspectives were also applied by Van der Laan (2009). He calls it the economic perspective and the behavioural perspective. When viewed from the economic perspective, corporate governance is primarily concerned with the design of the contracts, laws and regulations that have the aim of improving corporate performance and achieving good governance. The various studies that have been conducted from this perspective have resulted in a number of strong policy recommendations, which are increasingly being implementted as hard and soft laws and regulations (Van der Laan, 2009). In these studies, it is not recognized that social forces influence the decisions of the executive board, while studies conducted from the behavioural perspective do recognize social forces at both the micro and macro level. Microsocial forces refer to interpersonal influence tactics. An example of such interpersonal tactics is flattery by executives, which can influence the likelihood that top managers will be placed in top executive positions in the future (Westphal & Stern, 2007). These social techniques need not be in conflict with good governance; when costs and benefits are considered, such tactics may even be superior to contract-based solutions (Zajac & Westphal, 1998). At the macro level, it is acknowledged that there are social forces with which the enterprise is intertwined with other organizations (Pfeffer & Salancik, 1978), but also that the outcome of the executive board is a result of negotiation processes between the parties involved. In the present study, corporate governance was not approached from the economic perspective or the behavioural

perspective, but from the social-constructivist perspective. This means that the actors in and around the boards of governance were investigated. Consequently, the chapter on theory (Chapter 2) does not contain a summary of economic behavioural theories, but the chosen narrative approach, as a component of the social-constructivist perspective, is explored. Very few scientific studies into corporate governance have used this narrative approach (Brown, 2005). Moreover, no narrative studies at all have been conducted into two case studies in the Dutch financial sector.

From a societal perspective, empirical research into corporate governance is called for. Particularly striking is that discussions about the influence of stakeholders in society are being conducted without much insight into the everyday perceptions of actors in and around the boards of governance. Preliminary interviews have shown actors in and around the boards of governance primarily have a need for knowledge about how they should interact with each other. By taking this approach, the present study has linked up with the pursuit of democratic principles such as participation, justice and equality (Rhodes, 2000; Van Kersbergen & Van Waarden, 2004). Besides the fact that the democratic principles lend this study a certain degree of societal relevance, this aspect also provided the motivation for me to begin the study. Essentially, this motivation is linked with the pursuit of democratization and the participation of actors in and around the boards of governance.

1.6 Reader's guide

Figure 1.2 illustrates the relationship between the structure of the present study and the research questions. At the beginning of each chapter, the research questions that are answered in that chapter are listed. The second chapter describes the literature study. The third chapter focuses on the philosophical and methodological considerations. The results from the case studies of BPF and Florabank are presented in the fourth and fifth chapters, respectively. The six chapter contains the analysis of these case studies, and the seventh chapter presents the conclusions.

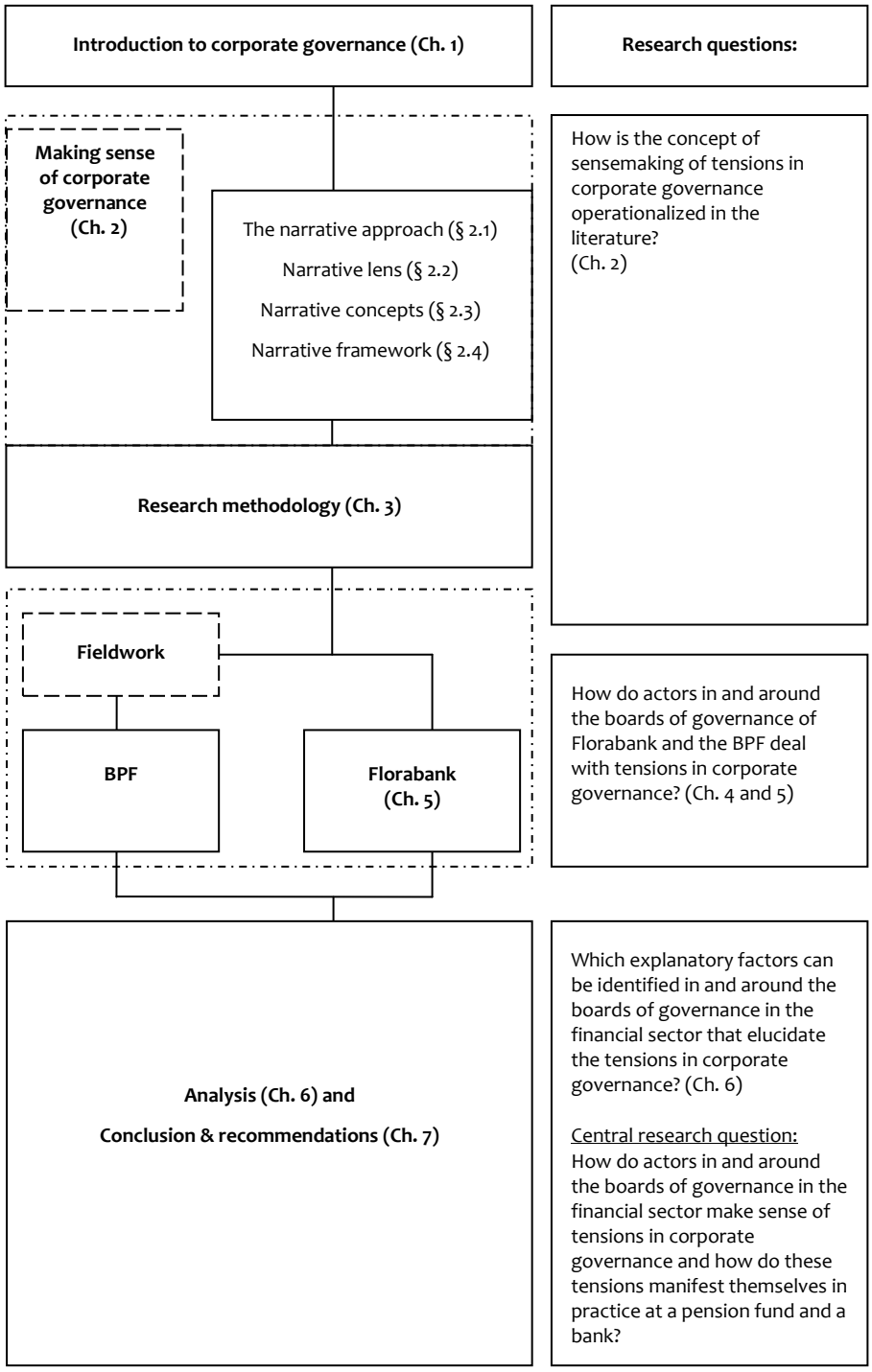


Figure 1.2 Reader´s guide

Chapter 2

Making sense of corporate governance



2 Making sense of corporate governance

As indicated in the previous chapter, this second chapter provides an answer to the first research question: How is the concept of sense-making of tensions in corporate governance operationalized in the literature? Section 2.1 describes the increasing attention to the cultural perspective on corporate governance and the cohesive social constructivist stance of this study. Section 2.2 zooms in on the narrative approach that has been adopted to investigate corporate governance. Besides focusing on the theoretical background of the narrative approach, the consequences of using this approach to study corporate governance are also discussed. In Section 2.3, corporate governance is viewed through a narrative lens. This leads to three types of stories that are used to view corporate governance: the grand narratives, the subordinate narratives and the counter narratives. In Section 2.4, the theoretical framework of this dissertation is presented. Three narrative concepts –worldview, institutional framework and mode of practice– are linked to each other. In Section 2.5, the conclusion of this theoretical chapter is presented. The combination of three types of stories (Section 2.3) and the three narrative concepts (Section 2.4) leads to a narrative table. This narrative table is the result of this theoretical chapter and is used as the starting point to study sensemaking of tensions in corporate governance (Section 2.5).

2.1 A cultural perspective on corporate governance

In the debate about corporate governance, essentially two approaches can be distinguished: the rational approach and the cultural approach. The rational approach in turn consists of three dominant theories. The first is the game theory[30] and the second and third are respectively the

30 Game theory was developed by Morgenstern and Von Neumann (1944). It provides a framework or matrix within which strategic interaction between 'players' is studied. The central question in game theory is whether it makes sense to cooperate or to strive for quick profits. The premise is that players want to maximize their utility.

agency theory[31] and transaction theory[32]. These three theories are all based on rational and utility-centric philosophy. In recent decades, more criticism has been leveled at this rational approach. Decisions are not taken purely on the basis of rational choices for the optimal solution (Simon, 1961), but also on the basis of greed, opportunism and self-interest (Kogut & Zander, 1996), political considerations and events such as the formation of coalitions. Emotions like anger, shame, sadness and joy (Moghaddam & Studer, 1998) can play a role as well. Moreover, the rational approach does not take social knowledge into account. In the theoretical debate, a gradual shift is therefore taking place from a rational approach to a cultural perspective regarding corporate governance.

Notably, relatively more research has been conducted on cultures in various countries, especially in developing countries, but relatively little is known about organizational culture within the financial sector in general or more specifically about actors in and around the boards of governance in the Dutch financial sector. Historically, anthropology is the field of science that has studied culture (Tennekes, 1995). As stated in the first chapter, organizational anthropology is the point of departure of the present study. Anthropology links up with the social-constructivist perspective. The organizational anthropologist Bate (1997) clarified this perspective by explaining the connection between the social and constructivist aspects. In a review article on the various organizational anthropological studies, he described the anthropological perspective as thinking about organizations from two worlds: the constructed world

31 Agency theory emphasizes that the implementation of a union between a principal (owner or shareholder) and an agent (manager or director) does not always go smoothly because the interests of the shareholder do not correspond with the interests of the executive (Alchian & Demsets 1972; Jensen & Meckling 1976; Fama & Jensen 1983).

32 The transaction cost theory of Williamson (1975, 1981, 1985) is based on the premise that the costs of coordinating economic activity are decisive in the choice between market mechanisms and hierarchical organization. The choice between market and organization will be determined by which of these two alternatives involve the lowest transaction costs. Williamson (1975) has defined five factors relevant to making decisions about transactions: opportunism, small numbers, uncertainty, complexity and information impactedness (Williamson, 1975). These factors have to do with the way organizations view their transaction costs and revenues. The motives that arise from this process are primarily geared to costs (budget-oriented), such as risk sharing, achieving economies of scale/efficiency and cost reduction.

and the social world. The Dutch anthropologist Koot (1995) stated that in the constructed world people themselves make sense of their organization, which means that they determine "to what extent they can accept new conceptions of reality and values to guide their behaviour" (Koot, 1995: 33). People make sense in their stories about their life situation and their relationships with others. The American anthropologist Geertz (1973) referred to the presentations of reality (interpretation frameworks, basic assumptions) and the prescripttions for reality (norms and values) on the basis of which people think and act. Bate (1997) used the term 'social world' to refer to the human aspects of the organization. He viewed organizations as social units consisting of people who talk, interact and negotiate with each other. Mead (1934), one of the founders of interactionism, also referred to the importance in theory of sensemaking (symbol) on the one hand, and the social context (interaction) on the other. During interactions in the relationship with significant others, a system for sensemaking emerges; as a result the interaction is understood and structured.

According to Weick et al. (2005), the process of sensemaking does not involve an accurate and verifiable answer, but a plausible argument. The researcher must empathize with the process of sensemaking of the actor, and place herself in the role and the mind-set of the subject. In this context, Veenswijk (1996) refers to shared sensemaking frameworks and value orientations. Sensemaking is the process of creating situational awareness and understanding in situations of great complexity and uncertainty. It is a motivated, continuous effort to understand connections between people, places and events in order to anticipate their processes and act effectively (Klein et al., 2006; Weick, 1995). As a result, it is important to study the interactions between actors in and around the boards of governance because this is where meanings are constructed that subsequently determine the actions of the people involved. Berger and Luckman (1966) introduced the term social construction for this process. They assumed that the world is essentially meaningless, and is given meaning only by the observer. In other words, reality is a construction that takes place in a social context. The social context refers to the total environment or a specific situation in which sense is made of something. The present study focuses on the general context of the financial sector and specifically on two case studies, that of a bank and

that of a pension fund. In the present study, corporate governance is not viewed as a static concept, but as a dynamic one: people interact and exchange meanings about corporate governance, and they create corporate governance themselves.

The social constructivist perspective reveals the importance of studying the process of sensegiving and sensemaking. In the scientific literature, discourse analysis is used to study this process. In this study into the sensemaking of the tensions in corporate governance, I essentially looked through a discursive lens at reality. According to Merkus (2014), the study of stories is very suitable for analysing the process of sensemaking, for two reasons. Firstly, plausibility is more important than accuracy: stories do not have to be accurate, as long as they are plausible and persuasive. Secondly, this makes it possible to tell multiple stories, which may be deviating and even conflicting about the same phenomenon in reality, without having to indicate that one story is 'truer' than the other. The objective of the narrative approach is to investigate the possibilities of discourses to produce and reproduce social reality. The researcher describes and analyses possible patterns, ideas and concepts that circulate in a social environment, and attempts to discover stable patterns that can signify something in the context in which they occur (Fischer & Forester, 1993; Hajer, 1993, 2006; Hajer & Wagenaar, 2003). A discourse in this sense (in the framework of sensemaking) is therefore not part of language use itself. It is only a pattern in language use. Stories are thus seen as a cognitive framework that guides individuals in making sense of their experiences. However, narrative construction is not always based on text or statements, as argued by Bruner (1991). Actions (Chase, 2005), material objects (Doolin, 2003) and images (Gaggiotti, 2012) are frequently used to build stories as well (Clandinin & Connelly, 1994).

2.2 A narrative approach to corporate governance

There are two approaches to discourse analysis: the linguistic approach and the narrative approach. The linguistic approach was inspired by De Saussure (1966), Wittgenstein (1976), Derrida (1967, 1972) and Chomsky (1957), and is closely related to linguistic theory. This approach makes language the topic of research by studying processes in the interpretation of speaking and writing (Duijnhoven, 2010); it focuses on how people make sense. The linguistic approach analyses language at the

micro-level. Language users create meaning by relating their own texts and those of others to three contexts: the network of previously expressed texts, the surrounding world and social relationships. Adherents of the narrative approach, such as Boje (1991), Burke (1969), Czarniawska (1998), Gabriel (2000, 2004) and Gergen (1999), are not concerned with how people create meanings, as in the linguistic approach, but what people do with meanings: causing change and stopping change in textual, practical and social contexts. However, the boundary between the linguistic and narrative approach is not clearly demarcated (Pijnenburg, 2004), and the approaches do not exclude each other. Nevertheless, it should be noted that in this study, following the examples of Alvesson and Karreman (2000), Chia, (2000) Grant et al. (2004) Grant and Iedema (2005), Hardy et al. (2000), Keenoy et al. (2000) and Oswick et al. (2000), the narrative approach is emphasized.

The narrative approach can be explained on the basis of the three layers of meaning. These are the analysis levels of organization discourse distinguished by Fairclough (1995), who was one of the founders of discourse analysis. He distinguished between discourse as text, discourse as discursive practice and discourse as social practice. The text dimension, also known as the micro-approach, concerns the analysis of text characteristics. The discursive practice and social practice dimensions are also known as the macro-approach. The discursive practice specifies how texts are produced and understood, thus investigating how text is generated, distributed, consumed and interpreted (Blommaert & Bulcaen, 2000). The social practice dimension concerns the cultural, sociological and ideological frameworks within which the interactions take place; it consists of discourses and other social elements that are part of a social practice (such as people and the material world). The social practice is bounded by norms and values, culture and patterns of expectation. This framework influences our use of language. In his work, Fairclough sought to explain how social structures give shape to discourses and how this preserves or changes social practice. This dimension centres on the relationship between discourse and power. The narrative approach came about as a result of the researcher zooming in on the text or zooming out on the environment, and by connecting the micro-level and macro-level together (Fairclough, 1992). Fairclough postulated that during a discourse analysis, the researcher moves from

one analysis level to another at various times in order to arrive at a complete picture of interaction in a societal or ideological context. In the present study, I have focused primarily on the macro-level, especially the change between the discursive and social practice.

Studies based on the narrative approach centre on discursive constructions and institutionalization processes. In studying discursive constructions, the researcher studies sensemaking of certain phenomena and how the given meaning are institutionalized. In other words, why is it that corporate governance exists in practice as it does? One example of a study based on the narrative approach to corporate governance is that of Brown (2005). When studying a report about the collapse of Barrings Bank, Brown discovered that the use of a certain type of language ensured that a public myth was created to limit the fear of the public. In addition, an explicit attempt was made to maintain the legitimacy of the Bank of England, the City of London and the existing regulatory structures. These types of studies are often classified as organizational discourse analysis. Alvesson and Karreman (2000), Chia (2000), Grant et al. (2004), Hardy et al. (2000), Keenoy et al. (2000) and Oswick et al. (2000) engaged in the discursive construction of organizational and institutionalization processes, and these studies are therefore sometimes classified as organization discourse analysis. I have based my research primarily on these studies. Hatch and Yanow (2003) argued that these studies are an attempt to conceptualize the organization in a more dynamic way. To them, the terminological shift from organization to organizing (Weick, 1995), embedding organizational stories in a specific sequence (Czarniawska, 1997) and the focus on the process rather than the content (Boje, 1991) are an indication of a fundamental reorientation in organization research.

Hence, the ultimate theoretical contribution of this dissertation is two-fold: through empirical study the development of more knowledge and understanding of corporate governance within the financial sector, and a conceptual improvement by developing a conceptual framework that can analyse the tensions of corporate governance. To analyse sense-making, in this study I used a narrative lens, which is explained below.

2.3 Stories and narratives: the narrative lens

In the literature about the narrative approach there is no consensus about the distinction between stories and narratives (Boje et al., 2004). Czarniawska (1998), Yanow (2000), Boje (2001) and Veenswijk (2006) have conceptualized the relationship between stories and narratives. Gabriel (2004) even argues that defining stories and narratives only serves to limit the concept. However, in the present qualitative study, a clear definition of both concepts is important to understand their role. Boje (2001) states that stories are built in a fragmented fashion that is difficult to interpret; stories become narratives only after they are chronologically ordered in a conscientious fashion (Metz, 2003). Moreover, Boje (2001) indicates that a narrative is intended to place the 'soup' of the collected stories into some kind of perspective. As explained by Weick (1995: 66): "[narratives] impose a formal coherence on what is otherwise a flowing soup", while Bartel and Garud (2009) argue that narratives already have a plot and structure". However, other authors use stories and narratives interchangeably (Bryant & Wolfram Cox, 2004). For the purpose of the present study, I have adopted the definition of Flory and Iglesias (2010: 116-117): "Narrative is the reflective product of looking back and making sense of stories constructed to make sense of life". Rhodes and Brown (2005) introduced the concept of narrative sensemaking, which emphasizes that stories and narratives are involved with creating a coherent snapshot of what is happening in organizations and which guides the actions of its members (Martin, 1992; Weick, 1995). This vision has a number of important advantages. For example, the narrative label can be attached to the personal, organizational or societal levels of narratives (Gabriel, 2004). In addition, multiple stories can be combined into narratives.

An important term that has not yet been discussed in the context of the present study is storymaking. Storymaking is inextricably linked to sensemaking, which is in turn inextricably linked to language and communication. As part of storymaking, meaning is assigned to stories (Czarniawska, 2004). Assigning meaning to stories is required to establish a framework of reference for future stories and actions (Boje, 2001; Gabriel, 1995; Ezzy, 2000; Ricoeur, 1984; Sonenshein, 2010; Vaara et al., 2006; Wagenaar Hartendorp, 2000; Weick et al., 2005). The most important function of a story is that it suggests unity (Hajer, 1995; Van Tatenhove et al., 2000).

Various authors have argued that stories are a powerful management tool for change (Humphreys & Brown, 2002; Doolin, 2003). Stories about organizations have the power to define good and bad behaviour. As a result, they influence the organizations' stories and the actions within organizations (Vaara et al., 2006). This is why stories that circulate in the public domain can support or impede stories and behaviour in organizations (Alvesson & Karreman, 2000). The power and politics of stories focuses on the role of language and stories in the pursuit of hegemony and legitimacy (Ewick & Silbey, 1995; Mumby, 1987, 2004). Stories can also ensure that people are better able to cope (a term from the narrative literature) with uncertainties. People can cope with situations by creating a story about the situation. As a result they can understand, in real time or in retrospect, their standpoint and actions and those of others in this specific situation (Brown & Humpreys, 2003; Czarniawska, 1997; Gabriel, 2000; Hopkins, 2003; Tangherlini, 1998; Weick, 2001).

The above may seem to indicate that stories are static, but the opposite is true. Some stories are told only once, while others are told multiple times and change over time (Tesselaar et al., 2008). Stories are not only descriptive but also prescriptive: they tell us what is important, what we must pay attention to, what we should be worried about and what will happen if we don't take action (Forester, 1999). At the same time, stories can be unpredictable, characterized by inconsistency and many paradoxical ingredients (Yanow, 2006a). Stories thus have a certain observability (Czarniawska, 1992; Boje, 2001), but that does not mean that they are always visible and recognizable. They can also be vague, implicit, unobserved, ambiguous or misinterpreted (Gabriel, 2000; Czarniawska, 1997). There are various types of stories. Duijnhoven (2010) makes a distinction between four types of stories. The first type of story is associated with every problem: the basic construct or basic story, also referred to as a grand narrative, which is accepted to a greater or lesser extent. The second type of story is the reactive story or counter-story also referred to as a counter narrative. The third type is the story that is deliberately generated for research purposes, such as stories in interviews and observation reports. The fourth and final type of story consists of texts that are based on the interpretation of the researcher. Duijnhoven (2010) concludes that with this latter type of story, the discursive power of academic texts must not be underestimated. In the

methodological chapter (Sections 3.3.1, 3.3.2 and 3.5), Type 3 and Type 4 stories are discussed. Type 1 and Type 2 stories, i.e. the grand narratives and the counter narratives, are used in the theoretical framework of the present study. Every problem has a grand narratives or a basic story that is accepted to a greater or lesser extent. Besides these two types of stories, following the example of De Heer et al. (2010), I have added another type of story: the alternative interpretation, which I refer to as the subordinate narratives. These narratives are subordinate to the grand narratives. The more powerful the grand narratives, the less room is available for subordinate narratives. On the other hand, a powerful basic construct also elicits counter stories, or counter narratives, more quickly. By looking through this narrative lens and making a distinction between grand narratives, subordinate narratives and counter narratives, we can acquire insight into the expressive power and appeal of grand narratives. De Heer et al. (2010) refer to this as narrative power.

Looking through the narrative lens is therefore looking at three types of narratives and how they relate to each other. Within these three types of stories –grand narratives, subordinate narratives and counter narratives– I have examined three narrative concepts, which are explained below.

2.4 Narrative concepts

The three narrative concepts are based on the macro-approach, also known as the discursive and social practice of Fairclough (1995: 98) (Section 2.2). The discursive practice specifies how texts are produced and understood, thus investigating how text is produced, distributed, consumed and interpreted (Blommaert & Bulcaen, 2000). This does not concern structuring by means of framing or textualization or institutionalization; it is about manifesting. Relational meanings exist not only in textual patterns, discourse coalitions and institutions, but they can also be found in tangible actions and interactions of people. The concept of manifesting therefore points to the semantic function of attitude, gesture, appearance, images, style and all other ways to create meaning without using a coded system of symbols such as language. The discursive practice is studied based on worldview and mode of practice. These concepts are explained in detail below. The social practice dimension refers to the framework within which the interactions take place, and is

delineated by aspects such as norms, values, culture and expectation patterns. In this way language use allocates responsibilities, expectations, status, praise, guilt, rejection, stimuli, barriers, options and opportunities for the persons involved: senders, receivers, addressees, auditors and third parties (Te Molder, 1995; Tilly, 2002). This framework, in turn, influences the language use on a specific topic. In the present study, the social practice is studied based on institutional framework, applied to actors in and around the boards of governance of BPF and Florabank. These institutional framework are explained extensively below. In the present study, the three narrative concepts are viewed as constructivist concepts; this concerns not what these narrative concepts are, but what they do. From the anthropological perspective of the present study, the focus is indeed on the symbolic context within which the actions people can be understood. In this constructivist vision, the narrative concepts do not have will-delineated content. The three narrative concepts are mutable and are a result of continuous processes of social interaction. These concepts are a way to look at how actors in and around the boards of governance negotiate about the meaning and interpretation of corporate governance. The combination of these concepts were derived from Koerten (2011). Although the key concepts such as actors, environment and practice are the same, the narrative concepts in both studies differ. The concepts do not have a specific sequence, but for purposes of readability I have used the above sequence in the remainder of this dissertation.

The first narrative concept, the worldview, refers to actors or groups. Bruner (1996, p. xiv) argues that through narratives, cultures create and express their worldviews and provide models of identity and agency to their members. In their studies on written texts in Business Management, such as in the Harvard Business Review, Gabriel (2000, 2004) and Boje (1991, 2001) give examples of the worldview held by top managers. The worldview is about the existence of the actor also expressed as being. The question here is the following: who are the actors in and around the boards of governance? Their background, their upbringing and their reference framework are aspects that impact a person's thinking. The interest in this narrative concept is related to the fact that a person's view of humanity determines their thinking and behaviour within organizations (Kaats & Opheij, 2008).

The institutional framework is the second narrative concept. People act within pre-determined scripts. The institutional framework provides guidance for taking action within a specific space, but is also an obstacle to action. The actors are guided by the institutional framework. The core assumption of the institutional framework is that there is a dynamic interplay between individual and macro-phenomenological levels of analysis. Institutional frameworks are the products of shared beliefs and values in a community of individuals (Weick, 1995). These institutional frameworks say something about values in the organization. The choice for this concept is related to the following questions: Do actors have different organizational frameworks in different organizations, or are they the same? Hence, are there observable differences between the organizational framework of a bank and those of a pension fund?
The third narrative concept, mode of practice, refers to what Koerten (2011) called the reflection of practice. This concerns the narrative patterns from which people take action. Weick (1979) has shown that the actions of managers (executives) create the raw material for organizing. According to Weick, managers or executives can therefore take action without knowing exactly why, and then wait until things become clear. However, the present study focuses less on the narrative patterns and more on the intention of the practice or the action. This narrative concept is about acting.

Figure 2.1 is a schematic presentation of the above-mentioned three concepts, which are strongly interrelated. This figure was derived from De Heer et al. (2010: 15); although the figure is the same, the narrative concepts in both studies differ. The concepts in this figure are based on Bruner (1996), Gabriel (2000, 2004), Boje (1991, 2001), Weick (1995), and Koerten (2011). In the present study, based on discussions with the actors involved and on document analysis, the narratives of corporate governance within a bank and a pension fund are explored. These narratives not only concerns events and the behaviours of actors in and around the boards of governance, but also provide information about norms, values and basic assumptions that affect corporate governance within the corresponding bank and pension fund. In the narrative model of the present study, explicit attention is paid to various experiences and beliefs of people regarding corporate governance. The narrative model

takes account of the ambiguities and tensions within and between the various stories and narratives about corporate governance.

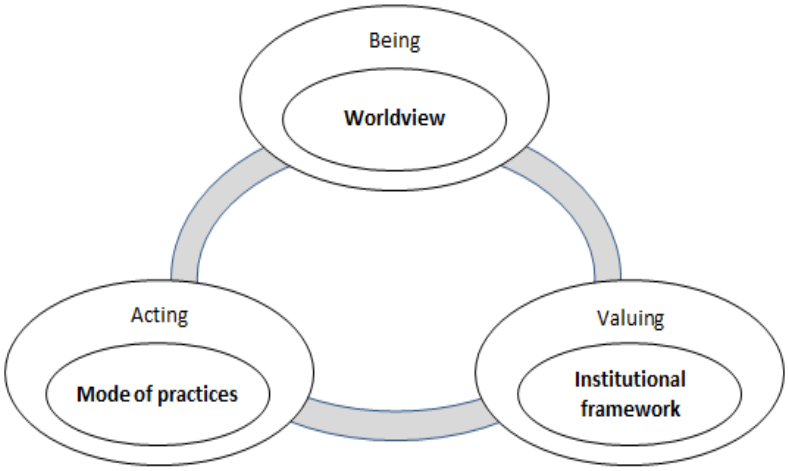


Figure 2.1 The narrative model of this study

In summary, by looking to the actors who are involved with corporate governance, their organizational environment and the intention with which they act, the tensions in corporate governance can be ascertained and studied. To provide more insight into how the narrative concepts have been investigated in the present study, each of these concepts is operationalized below.

2.4.1 Worldview

Groups of employees develop beliefs and assumptions about the daily course of affairs, how to deal with corporate management and the behaviour during changes. According to Schein[33] (1985, 2006), these underlying assumptions are the foundation or essence of the organizational culture. Because they are implicit, the underlying assumptions, unlike the upper levels of artefacts and espoused values, are extremely difficult to change. The underlying assumptions are deeply rooted and develop slowly; they often disappear from conscious awareness. Schein

33 Schein is known for his organizational culture model and provides guidance for achieving a change in culture.

(1985, 2006) stated that challenges or problems are times when the organizational culture is put to the test, and when new basic assumptions can emerge. These are also times during which stories are created that are told by new leaders. Basic assumptions are regarded the ultimate sources of values and actions. The Dutch anthropologist Tennekes used the term 'conceptions of reality', which refers to people's knowledge of the reality in which they live and the possibilities that are available to them (Tennekes, 1995).

To investigate the basic assumptions and conceptions of reality of corporate governance, it is important to identify the lens with which one is currently looking at reality; this is known as the worldview. In the present study, the worldview of corporate governance has been divided into two ideal types. These ideal types are Weberian constructs, of which the components together represent the essence of a particular phenomenon (Weber, 1972a, 1972b, 1978; Zijderveld, 2000). The ideal types do not exist in social reality, but can manifest themselves to a greater or lesser extent. Insight into the simultaneous effect of these various ideal types can provide a valuable contribution. This was endorsed by Parker (2000) in the paradox he formulated his book Organizational Culture and Identity:

> All organizations are the same, in the sense that they often share common categories of understanding –cultures of management or cultures of masculinity for example– but all organizations are also different because of their local combination and articulation of these categories (Parker, 2000: 82).

By using both ideal types, researchers can map out the tensions and provide a theoretical yardstick. Below is a description of the two ideal types of the worldview of corporate governance.

The first ideal type is based on the assumption that the executive board determines the strategy, the objectives and the guidelines, as well as makes the choices, and the rest of the organization endorses these choices and follows them carefully. Monitoring and supervision are primarily focused on this basic principle. Other characteristics of this Newtonian thinking are control, rationality, competition, optimization of capital, linear thinking, creating order and limitation (Bommerez &

Hoppenbrouwers, 2007). By looking at reality via the Newtonian worldview, one assumes closed models in which the alternatives and conditions are known.

The second ideal type is based on the assumption that it is not always possible create a model of an organization. This has to do with the steadily increasing complexity and dynamics in society, such as the developments and possibilities related to the Internet. According to estimates, more information becomes available each year via the Internet than all the information in the past 5000 years. Designing a model that accounts for such complex conditions and rapid developments is difficult, if not impossible. Although Bommerez and Hoppenbouwers (2007) present chaos theory as an alternative to the Newtonian worldview in this research the term holistic worldview is used. Chaos theory is based on the idea that everything is a component of a larger whole and that the whole is more than the sum of the individual components. Although the Newtonian worldview doesn't contradict chaos theory, it takes a broader perspective, nearby matching the scope of the Newtonian worldview. Other important elements in this holistic worldview concern the optimization of people and capital, sensation, freedom, unpredictability, mutual relationships, openness, understanding and flexibility (Bommerez & Hoppenbrouwers, 2007). Although it appears that this thinking is disordered, this is not true; it relies very heavily on the self-correcting, self-organizing and self-correcting capacity[34] of people. In this ideal type, differences, conflicts, power and interests are part of the day-to-day reality. Power no longer remains with the manager, but disseminates to individuals and the environment. Continually varying groups of individuals become established around specific themes that appeal to them. It is not management that governs the organization; one governs the organization by providing individuals with the maximum amount of freedom (Fox, 1966). In the second ideal type, holistic worldview, order and balance are created by mutual dependency. Various interest groups are in conflict, but they cooperate

34 Tetenbaum (1998) described five principles that establish the basis for the control and initiation of self-organization: organizing and sharing knowledge and information, organizing creativity and innovation focusing on teamwork and projects, organizing diversity and ensuring strong core values.

at the same time. This process is based on a struggle between sensemaking and harmonization of the meaning.

2.4.2 Institutional framework

In Sections 2.2 and 2.4 the relationship between the social practice of Fairclough and the institutional framework is explained. According to Fairclough, it is precisely the social practice that leads to change. Therefore this dimension was included in the present study. Social practice concerns the idea of contextualization, the situational context, the institutional practices in which events occur and the larger whole of society and culture. There is an interaction between social structures and the internalized mind-set of individuals. This refers to the interaction within the actor-structure debate (Giddens, 1979, 1984; Bourdieu, 1977, 1984). Behaviour and structure are indeed related to each other. Due the socialization process and other aspects, individuals rely on the social structure for support, but with their actions they can also change this social structure. The social structure not only imposes limitations on actions, but it also makes actions possible. Like Giddens (1984), in the present study I have focussed on the emancipated actor with limited freedom and with personal responsibility. By taking action, actors can change things in the surrounding world. Their freedom of action is constrained by limitations, which may or may not be acknowledged, and also by the unforeseen and unintended consequences of individual action.

In this context, Koerten (2011) stated that in this changing world, we are searching for reliable anchors. These anchors are beliefs that give us stability in our thinking (Bergson, 1946; Berger & Luckmann, 1966; Weick, 1995). According to Koerten (2011), these anchors are the foundation of how to act. A study conducted by Garfinkel (1984) shows that people are aware of these anchors, that they provide confidence, and when they are not used correctly, people become uneasy. These anchors ensure that we know which action is required in a specific situation. For example, consider how bankers in the higher echelons are dressed or how they speak to each other during meetings. These anchors can be viewed as a space for action. The present study focuses on organizational anchors. The organizational anchors create an institutional framework. This framework affects the behaviour of people within the organization. It

derives its sanctioned effect from "various types of carriers, including symbolic systems, relational systems, routines, and artefacts" (Scott 2001: 48). The reliance on such carriers distinguishes institutions from frameworks of sensemaking: these frameworks exist only as patterns in language use and thought, while institutions are expected to establish patterns such as laws, values and categories (in symbolic systems), governance systems, regimes and identities (in relational systems), protocols and professions (in routines) and objects that already correspond to these patterns (artefacts) (Scott 2001)[35].
One way to identify the institutional framework is to look at the process of institutionalization. As part of institutionalization, text is transformed into something material, but also into something symbolic, relational and routine. Scott (2001) described regulative, cognitive and normative characteristics of institutions.

In Table 2.1, the characteristics of institutions such as ordering mechanisms, mechanistic philosophy, indicators and legitimacy base are specified as regulative, normative and cultural-cognitive processes of institutions. DiMaggio and Powell (1991), Scott (2001) and Selznick (1948) have all concluded that the three processes must be studied simultaneously. Each process has different forms of legitimacy. In the regulatory process, rules about utility compel compliance, otherwise sanctions are imposed; in the normative process, it is a social obligation to live up to the binding expectations such as certification and accreditation; and in cultural processes, shared beliefs and practices ensure that the generally accepted, shared belief is complied with through imitation. In summary, by looking at the process of institutionalization, the institutional framework of BPF and Florabank can be identified.

35 This demonstrates the usefulness of a narrow, precise definition of discourse, whether this applies to language-in-use or frameworks of sensemaking (pattern in language). If that does not happen, then discourse analysis and institutional analysis become competitive theoretical approaches in the definition of concepts. Even a narrow definition of the concept of framework of sensemaking (or discourse) as a virtual pattern in language leads to some overlap with the concept of institution.

Table 2.1 Characteristics of institutions (Scott 2001: 52)

Characteristics of institutions	**Regulative**	**Normative**	**Cultural-cognitive**
Compliance	Utility	Social obligation	Generally accepted, shared belief
Organizing mechanism	Regulative rules	Binding expectations	Constitutive schemes
Mechanisms	Force	Normative	Mimetic (imitative)
Indicators	Rules Laws Sanctions	Normative Certification Accreditation	Shared beliefs and practices
Legitimacy base	Legally enforced	Morally governed	Comparable, visible to others and culturally supported.

The regulative, normative and cultural-cognitive characteristics show that habits, morals and interests –as unintended side effects– produce and transform unequal relationships. The following example is from practice. An executive has the habit of always informing the participants' council afterwards and not beforehand. This habit produces or reproduces the relationship between the executive and the participants' council. The everyday reproduction proceeds more or less subconsciously according to the following mechanism: 'that's just how we do it.' In other words: habits, morals, solidarity and interests are not intended to distribute the decision power unequally, but as a matter of course to stabilize this power as the status quo. Changes in habits, morals and interest usually take place unintentionally over the long term; such changes are the mechanisms that make it possible to change or destabilize social inequality. Bader and Benschop (1989) state that there are mechanisms which focus explicitly on maintaining or changing the unequal status quo. They refer to aspects such as convention, justice and legitimacy. These mechanisms are based on clear rules in the strict sense of the word, for example norms that claim to be valid and binding. One example is the right of consent of the works council regarding an important organizational change or the appointment of the Director. This right of consent ensures that a works council has control over major issues that affect individual employees. These mechanisms take effect emphatically in the foreground only during crisis situations, when the balance of

power is subject to explicit discussion. In that case they can focus on assurance or on change. And when changes take place, they usually occur unintentionally and over the long term. According to Koerten (2011), however, anchors can play a role in the analysis of change. They must be identified in order to shed light on how they connect with the other narrative concepts (Koerten, 2011).

2.4.3 Mode of practice

In contrast to classical organizational thought, in which the manager can take action only if it is clear what the problems are for which he must have a solution, Weick (1979) has shown that the actions of managers (executives) create the raw material for organizing. According to Weick, managers or executives can therefore take action without knowing exactly why, and then wait until things become clear. Weick's (1979) most important message is that we must view organizations as processes in which people act together to give shape and meaning to that which they create in interaction with each other. At the same time, Weick emphasizes the evolutionary character of the processes and the retrospective character of the sense of purpose: that which develops by means of evolution is understood afterwards. To operationalize the action afterwards (acting responsibly), in the present study I looked at either the justification of the action or the argumentation of the actors. Justification is a rational process that takes place when actors include an argument in their story that is intended to persuade other actors. To operationalize this process, in the present study I used the discourse ethics of Habermas (1984, 1987). However (Habermas acknowledges this himself) the term discourse ethics is poorly chosen, because it concerns morality, not ethics. Therefore, it is better to refer to the "discourse theory of morality". Nevertheless, Habermas has continued to use the term discourse ethics because it has become so common, focussing on the moral issues and disregarding the ethical issues that continue to exist at the level of the private contextual worldview. Due to my search for insight in the present study, I chose the moral issues in part because they make the claim of universality, and the ethical issues do not. Habermas assumed two ideal types of responsible action: strategic action in the systems world and communicative action in the lifeworld (Habermas, 1987).

The systems world is a set of structures that people have developed to achieve objectives. In the systems world, people act strategically to achieve the objective or the result. Relationships are instrumental, and utility is an important value. Strategic action has the objective of causing a change in another person. This can be both positive (directive, guiding) and negative (manipulative). Strategic action is result-oriented. By acting strategically, it is possible to cause a certain discourse to prevail above another discourse. In her dissertation, Berendse (2013) discussed the discursive strategies with which actors attempt to make a specific repertoire of stories dominate and marginalize other stories. She presented three discursive strategies: stories about the past, present and future, stories about success and failure, and humorous stories. Other strategies, referred to as coping strategies, include denial of disturbing events, justifying dysfunctional events or explaining oddities as exceptions to which the general rule does not apply. Due to the variety of discourses, controversies occur, and discourses with opposing ideas and interests clash (Wagenaar & Cook, 2003). Much of this power struggle is equivalent to a language dispute. The language dispute has rhetorical elements with which other participants can be persuaded about the correctness of a specific discourse, but this does not have to be an entirely objective truth (White, 1990). These attempts to influence other actors are a component of verbal persuasion (Chilton & Schäffner, 1997). This often occurs by means of manipulative language use (Hajer, 2000). By persuading and manipulating other participants, a discourse can become more dominant and can guide the decision-making process. Discourses and methods of persuasion are characterized not only by the language use of the proponents; symbols, figures, facts and so forth can also be exploited to manipulate decision-making (Stone, 2002). These means are carefully selected to give shape to the discourse and to influence the decision-making process. For example, this is also done by 'impartial' actors, who attempt to create order in the social chaos (Torgerson, 2003). It is difficult to analyse the influence of a discourse on the decision-making process due to the abstract character of the concept. Nevertheless, it is possible to identify differences in discourse and forms of verbal persuasion. Proof of the dominance of a discourse becomes manifest when specific actors are compelled to conform to an idea or viewpoint that deviates from their original interest (Hajer, 2000).

In the lifeworld, in contrast, communicative action is central. Habermas viewed ‘communicative action’ as the basic form of social interaction (Kunneman, 1985). He placed this concept in opposition to 'strategic action', which focuses on achieving the objective and on one's own success. In his writings, Habermas expresses a preference for relatively open possible exchange of arguments in a world in which power relations play as small a role as possible.

Parties on both sides of the discussion assume that what they are saying is valid. This mode of practice is essentially unpredictable and uncontrollable. After all, one cannot estimate how people will respond to the action, what will occur as a result of the action or what significance can be attributed to the action. Moreover, the practice cannot be reversed. When claims are challenged, one must shift to discourse. This should also have the character of a dialogue. However Habermas' theory focuses on rational thought processes. According to Habermas, actors can in principle reach rationally-grounded consensus when they continue to act communicatively provided they do so in a world where power relations play as small a role as possible. Accordingly, he advocated providing space for the story of the other. Within an organization, creating space for communicative action and a dialogue where power relation are (temporarily) minimized not only increases the quality of stories, but also improves the quality of social interactions, and corporate culture as a whole. In this context, it is interesting that Boje (2001) stated that a storytelling organization is a contrived construction of instrumentally recounted realities in which the counter stories destroy the official stories. Indeed, Boje (2001) asserted that managementstyle controlling stories and counter stories destroy each other. In the present study, it is important to distinguish these types of stories in order to acquire more insight into the tensions in corporate governance.

Besides the two ideal types of Habermas, the four conditions that Habermas (1987) used to create an ideal discussion situation are explained below. This ideal discussion situation refers indirectly to the process of producing, disseminating, consuming and interpreting text or to the discursive practice. During the interaction between actors in and around the boards of governance, meanings are indeed exchanged. In the present study, the normative insights of Habermas have been used as theoretical handles. First of all, Habermas stated that the communication

must not be disturbed by external factors. All actors must have an equal opportunity to participate in the discussion. Secondly, not only the assertions, conclusions, explanations, interpretations, ideas and suggestions of all actors must be heard, but also their questions, doubts and criticisms. Thirdly, during the discussion between the actors, no power relationships should exist that could cause specific arguments to be deliberately avoided or to acquire an unassailable character. Finally, all actors must be honest in their intentions, so they cannot manipulate each other. This concerns preventing the coercion that could emerge from the structure of communication. It is only when all of these conditions are met that there can be a critical-rational (fair) discussion situation in which all arguments are weighed rationally against each other. Habermas referred to this as communicative symmetry.

2.5 Towards a conceptual framework

The literature study into the sensemaking of tensions in corporate governance resulted in a theoretical framework which centres on stories and narratives. The social constructivist point of departure of the present study has ensured that corporate governance is viewed as a process of providing meaning and sense of purpose in the dynamics of everyday interactions in and around organizations. Providing meaning and sense of purpose are key to the narrative approach, which is the approach in this study. In this narrative approach, stories and narratives not only provide data for analysis, but are the core of the theoretical part of this study. From the above it is clear that stories and narratives in this study can be considered as narrative constructions that are continually subject to change. In this study I have looked at the grand narratives, subordinate narratives and the counter narratives of corporate governance. The three types of stories are a means to look at how actors in and around the boards of governance make sense of corporate governance and which tensions play a role in this process. In other words, by studying the stories of actors in and around the boards of governance, one can come closer to the process of sensemaking of tensions in corporate governance. By linking this narrative lens to three narrative concepts – worldview, institutional framework and mode of practice– one can acquire more insight into the process of sensemaking in corporate governance.

The worldview concerns the assumptions that form the basis of the perception, thinking and action of actors in an organization. To investigate the assumptions of corporate governance, it is important to know through which lens one is currently looking at reality; this is the worldview. The worldview is divided into two ideal types: Newtonian thinking and holistic thinking. The institutional framework offers a certain stability and predictability, but also offers renewal. To identify the anchors, in this study I used the process of institutionalization. The theory of Scott (2001) on the regulative, normative and culture-cognitive characteristics of organizations concerns the effect of the various characteristics and the changes that take place in the social practice. Mode of practice refers to the reflection of practice. Actors can take action to confirm their roles, but they can also take action to change things. According to Weick, executives should not think too much about the cause of the practice, but simply take action and determine afterwards whether it worked or not. To operationalize this reflective action, in the present study I used the two ideal types of responsible action (Habermas, 1987): strategic action in the systems world and communicative action in the lifeworld.

By linking the three types of stories to the narrative concepts, a narrative table is created, which serves as a theoretical point of departure for the analysis (Table 2.2). This narrative table is the conceptual framework of this study. This means that this study focuses on the data collection through three types of narratives, namely grand narratives, subordinate narratives and counter narratives. Within these types of narratives this study will focus on three narrative concepts: worldview, institutional framework and mode of practice. Although this narrative table can elucidate the sensemaking of the tensions in corporate governance at BPF and Florabank, this theoretical approach also has limitations. First of all, this conceptual framework is a simplified representation of reality. Although it can be used to identify fields of tension and provide a theoretical yardstick, this framework has the potential limitation of paying insufficient attention to the complexities of reality. Secondly, this theory also comprises a philosophical idea, both implicitly and explicitly. This also is not a full representation of reality. Thirdly, although it seems that the present study was focused on observable stories, it actually

concerned invisible stories. This means that much attention had to be paid to data collection and data analysis. Fourthly, in this type of qualitative research, the researcher herself is an important instrument. Without a methodological framework, personal preferences could compromise the research. Therefore the next chapter presents an extensive methodological framework in which the research methods and the methodological consequences of the social-constructivist perspective and the narrative approach are addressed.

Table 2.2 Conceptual framework of this study

Case study	**BPF**			**Florabank**		
Type of narratives	**World view**	**Institutional framework**	**Mode of practice**	**World view**	**Institutional framework**	**Mode of practice**
Grand narrative						
Subordinate narrative						
Counter narrative						

In summary, by developing a conceptual framework this section has answered the first reseach question of this study: How is the concept of sensemaking of tensions in corporate governance operationalized in the literature? This conceptual framework is the theoretical basis of the study and is used primarily to analyze the findings. This conceptual framework returns In Chapter 6, in which the analysis is presented.



Chapter 3

Research methodology

Chapter 3 Research methodology



3 Research methodology

In the previous chapter the first research question of this study was answered based on a review of the relevant literature. This chapter is about the philosophical foundations on which this study was based and their methodological consequences. Section 3.1 outlines the philosophical stance of this study according to ontological and epistemological standpoints. Section 3.2 focusses on the organizational anthropological research design and the qualitative data collection and data analysis strategy. The methodological consequences of the choices from the previous sections, the research aim and research questions are discussed in Section 3.3. Section 3.4 addresses the ethical considerations. Section 3.5 focusses on data collection and data analysis, and the quality of the data is discussed in terms of reliability and validity. Section 3.6 focusses on the reflections about and limitations of this study. This chapter, like the previous chapters, closes with a synthesis.

3.1 The interpretive scientific paradigm

Chapter 2 has zoomed in on the central topic of this study: corporate governance. The chapter introduced the narrative approach and focus on the sensemaking of tensions of corporate governance. This section explains the philosophical foundations on which the methodology was based. The starting point of this study (Section 2.1) is consistent with the social constructivist perspective: social reality is constructed through interactions between people. The importance of this way of thinking is not so much that it looks at the justification of scientific knowledge claims, but at the social and psychological aspects of the paradigm. One of the most renowned philosophers, Kuhn (1962), places science in a historical and sociological context. Scientists do not describe a world, they create one; according to Kuhn, we should understand science as a social construct. In this context it is important to understand and unravel corporate governance in the financial sector. The research aim is therefore to acquire insight into the sensemaking about corporate governance by actors in and around the boards of governance (Section 1.5). Kuhn (1962) also proposed the idea that science does not evolve gradually, but changes abruptly by means of paradigm shifts. Therefore, various actors

in and around the financial sector are the research entities of this study. As can be read in Section 2.1, the present study differs from other studies on corporate governance due to its specific philosophical assumptions regarding the character and distinguishability of organizational reality and other social realities (Yanow, 2000; Yanow & Schwartz-Shea, 2006a, 2006b; Ybema et al., 2009). Based on the two philosophical approaches for understanding the reality that is to be studied ontology and epistemology. This section discusses each of these in turn.

Ontology is the first philosophical standpoint from which to view science. This standpoint provides insight into how researchers look at reality. Snape and Spencer (2003) distinguished three ontological positions: realism, materialism and idealism. Based on Snape and Spencer, Table 3.1 clarifies these three ontological positions. In the present study, these positions are considered to be extremes on a continuum, as many intermediate variants are possible. All kinds of positions are also possible within realism, but in the present study I have used this simplified classification.

Table 3.1 Three positions in ontology (Snape & Spencer, 2003: 11)

Ontological position	**Description**
Realism	Realism argues that an external reality exists independently of the beliefs and views of people.
Materialism	Materialism also claims that there is a real world, but reality consists only of its material characterristics, such as economic relations, or its physical characteristics.
Idealism	Idealism argues that reality can be known only by means of the human spirit and socially constructed meanings.

When the description of the three positions is related to the central topics of this study –sensemaking, sensegiving and interaction– then it becomes clear that idealism is the most suitable ontological position from which to view reality. Berger and Luckmann (1966) emphasized the shared or collective aspect of the process of constructing reality. In the present study, the following ontological position is taken: the reality of corporate governance is constructed by the actors in and around the boards of governance. Sensemaking about corporate governance is an

ongoing part of the socially constructed meanings in interactions. In the present study, reality is considered to be subjective. This provides insight into the various realities of the actors in and around the boards of governance at the actor level. In this way it is not only possible to observe the processes of sensemaking, sensegiving and interaction separately, but also in relationship to each other. The social behaviour of people is a product of what they think about the events around them and the meanings that they attribute to the behaviour of others. The present study also endorses idealism, in contrast to the majority of studies on corporate governance. Most studies have endorsed the materialistic or realistic position. Notable examples include studies on the effectiveness and performance of corporate governance (Larkcer, Richardson & Tuna, 2007; Peni & Vähämaa, 2011).

The ontological and epistemological assumptions are closely related, due to the fact that ontology has consequences for the explication of knowledge development (Yanow & Schwartz-Shea, 2006b). According to Martin (2002), epistemology concerns the nature of reality, "how we know about how things are" (Martin, 2002: 30). In response, Snape and Spencer (2003: 13) argued that epistemology concerns the manner of knowing and learning in the social world and focusing on questions such as "how can we know about reality and what is the basis of our knowledge?" In accordance with Snape and Spencer (2003), in Table 3.2 an epistemological dichotomy is used to describe the relationship between the researcher and reality, i.e. positivism and interpretivism. Again, these are two extremes on a continuum where many intermediate variants are possible. Since the focus is on understanding the world of corporate governance, how actors in and around the boards of governance construct corporate governance, idealism is the ontological stance, which supports this study.

Table 3.2 Epistemological classification (Snape & Spencer, 2003: 16)

Tradition	**Positivism**	**Interpretivism**
Basic assumptions about reality	The world is not affected by the researcher. Facts and values are different.	The researcher and the social world influence each other. Facts and values are indistinguishable.
Result	Observations give the final word (observable social reality).	Findings are influenced by the perspective and value assessment of the researcher.
Aim	Minimize the influence of the researcher within the study; the investigator assumes the role of the objective analyst.	No objectivity is possible. There is no object of research, there are research subjects. The task of the researcher is to figure out this subjective reality.
Research methods	Use generalizations based on scientific laws, similar to research performed in the exact sciences. Use structured methodology to facilitate replication (repeatability, laws, hypothesis testing).	One assumes the complexity and uniqueness of a particular circumstance and individual. This raises questions about the generalizability of research that tries to capture the rich complexity of social situations. Generalizability is not important.

The social constructivist perspective of the present study has a direct link with interpretivism. The word says it all: interpretivism means searching for the interpretations that people give to social phenomena or situations. Instead of individual structures in the minds of people, social reality is understood only when it is constructed in social interaction (Czarniawska, 2001; Fine et al., 2009; Marshak & Heracleous, 2005; Veenswijk, 2001; Yanow, 2006b). In line with this, Swanborn stated that individuals do not respond initially to the direct actions of people with whom they interact, but to the presumed meaning behind the actions (Swanborn, 1981). The supporters of the interpretative approach share an appreciation for the role of language. They consider language as a form of communicative action that is constructed rather than reflective, representative or instrumental (Heracleous, 2004; Philipps & Hardy, 2002). This focus on language has also increased the interest in the

narrative perspective by the supporters of the interpretative approach. The ontological and epistemological position of the present study is expressed through the application of the narrative approach that is central to the data analysis and data presentation (Section 3.5).

3.2 The research design: an organizational anthropology approach

The research design of this study is grounded in an organizational anthropology approach. Consequently, this study is qualitative in nature in accordance with idealism and takes on interpretivism as a philosophical standpoint. In order to understand how actors in and around the boards of governance interpret and make sense of corporate governance, an organizational anthropology approach was chosen. In contrast to many other scientific disciplines, organizational anthropology pays much attention to history, context and processes (Bate, 1997). The context in organizational anthropology studies refers to the circumstances in which something is done, in response to which a story was told, along with the previous history (Ten Have, 1977). In light of the central research question, the decision whether or not to include context is crucial. In Chapters 4 and 5, the two case studies with their corresponding context are described. There is also a specific focus on the history and processes of both case studies (Section 4.2.1 and Section 5.1.2). Based on Smith's (1998) definition, the aim of this anthropological study is to use a very accurate qualitative data set to unravel the culture or the way of life of actors in and around the boards of governance. This study focuses on the thinking, beliefs and actions of the actors in and around the boards or governance.

Besides its holistic viewpoint (Section 1.5), anthropology has two ways of looking at reality: from an emic and etic perspective (Martin, 2002). Etic stands for an external perspective and emic for an internal perspective. Various authors have indicated that a distinction should be made between these two extremes (Martin, 2002; Schein, 2006). In accordance with the anthropologist Narayan (1993) in her article entitled "How Native is a 'Native' Anthropologist?", in the present study I have assumed that anthropologists are never completely insiders or outsiders. These are intertwined movements. At the same time, the perspectives alternate as well.

In the present study, I have explored the daily lives of actors in and around the executive board, which is the emic perspective. In this process, I looked at how people experience power relations and how actors in and around the boards of governance give sense to and make sense of corporate governance. In this way I collected the routines, relationships, stories and rituals that determine sensemaking. In following Beltman (2011) Table 3.3 illustrates the six steps of the research process. The qualitative character of the research and the emic perspective are further clarified in the explanation. The steps are not shown in chronological order and were often conducted in parallel with each other.

Table 3.3 The six steps of the research process

I Design the study	The aim of this study was to understand corporate governance in the financial sector (Section 1.5). The central research question required a thorough qualitative approach, in which corporate governance is seen as a social phenomenon (Section 2.1). Keywords relating to the philosophical approach of the study were interpretive and social constructivist; these led methodologically to a qualitative study.
II Conduct and report on the literature study	In Chapter 2, answers are provided to the first reseach question based on an extensive study of the relevant literature. The literature study involved scientific books, professional journals and articles about researching sensemaking.
III Gain access to the field	Many attempts were made to gain access to the lifeworld of the financial sector *(emic)* (Sections 3.3, 3.3.1 and 3.3.2). All organizations, participants and informants were approached personally and informed about the study. Anonymity turned out to be an important precondition for cooperating with the study. Consequently, anonymity is discussed extensively in the section about ethical considerations (Section 3.4).
IV Collect data	Qualitative data collection methods were used to elucidate the lifeworld of the actors in and around the executive board. The study was divided into two phases: a context study (Section 3.3.1) and a case study (Section 3.3.2). In both phases, the researcher sought the *emic* perspective of the research entity.

	The context study involved in-depth interviews, observations and document analysis. During the case study phase, in-depth interviews and document analysis were performed. Important types of data included field notes, transcripts of the interviews, observational notes and descriptions, annual reports, other documents about corporate governance and newspaper articles.
V Interpret and analyse data	This step of the study involved analysing and interpreting the data (Section 3.5). The focus of the analysis was on the 'notable features' that appeared in the data collection methods. When interpreting the data, *member-check* was used, in which three informants were asked if they agreed with the descriptions, interpretations and conclusions (Swanborn, 1981), with the aim of enhancing the internal validity (Section 3.5).
VI Publish data in book form	This study was written in accordance with the vision of Creswell (2013) as an *"objective report of information about the culture-sharing group"*(Creswell, 2013: 490). Personal beliefs and prejudices were kept in the background and appeared in the reflections on and limitations of the study (Section 3.6).The results of the study are presented in narratives of corporate governance (Chapter 6). In Section 3.5 the qualitative characteristics of the study are explained critically in terms of reliability, validity, trustworthiness and generalizability.

The chosen organizational anthropology approach has methodological consequences for the data collection of this study. This is addressed in Section 3.3.

3.3 Methodological consequences

The ontological and epistemological stance and the organizational anthropology approach had consequences for the research methodlogy. This study into the sensemaking of tensions in corporate governance takes an organizational anthropology approach and is therefore explora-tive-qualitative in character. It is about identifying the guiding principles of corporate governance and improving the understanding of the reality

construction about corporate governance. In line with De Sonnaville (2005) and Kaats and Opheij (2008) in their study about executives, the present study did not have the aim of making representative, generalizing conclusions. The choice for a qualitative research method was based on a number of considerations, which are related to the choice for the social constructivist-interpretive approach of this study. The basis of the interpretive approach is that various perceptions of reality exist. Investigating the concrete lifeworld of groups is also done by means of qualitative research. To study the lifeworld of the actors in and around the boards of governance, various data collection methods were used, which are described below.

Observer and participant in the research field

The aim of ethnographic research is for researchers to reconstruct the experiences, beliefs and concepts of the respondents from their own perspective. In the period from March 2007 to August 2011, I collected data to gain insight into the world of the respondents. During this process I therefore expressed much empathy for each individual in the group that I studied. The problem with this approach, however, is that the previous experience and conceptual frameworks of the researcher influence the reconstruction of the events and of the processes that occurred during the study. In this study, the researcher also included her previous experiences. She previously worked as a call center agent for ABN AMRO and wrote her master's thesis on the relationship between organizational culture and employee engagement in the Dutch banking sector (Steijvers, 2002). Section 3.6 contains a brief reflection on the consequences of these earlier experiences for the present study.

Therefore, according to Smith (1998), it is important for a researcher to find a balance between participating in the group being studied and standing outside this group (Smith, 1998). During the present study, I visited conferences and seminars for members of executive and supervisory boards. In this context, I participated in the worlds of actors in and around the boards of governance. In these situations I observed the respondents, who were unaware that they were being observed. Hence, I was both an observer and a participant. When holding the formal interviews at BPF and Florabank, I was both a participant in the

interview and an observer of the respondents. These interviews usually had a very open structure. Efforts were made to enable the interviewee to speak as freely as possible, after which I probed specific topics such as the areas of tension or problems that were occurring.

Notes during the fieldwork

An important aspect of anthropological research is the attention to the context of the study. The context refers to the circumstances in which something was done, in response to which a story was told, along with the previous history (Ten Have, 1977). In light of certain research aims, the decision about whether or not to include the context can be crucial. Consequently, anthropologists pay much attention to formulating (putting into words) what they have seen, heard or thought. Schatzman and Strauss (1973) made a distinction between three types of notes. Observation notes are registrations of what people have observed, theoretical notes are about ideas that people have developed, and methodological notes record which procedures were followed or are planned. Ten Have added a fourth genre: reflexive notes, in which researchers describe their own reactions (Ten Have 1977). In this way, an ethnographic text takes account of the complexity of everyday situations (Ybema et al., 2009b). This makes ethnographic research methods well suited to presenting the context, which is often lacking in other types of research (Bate, 1997; Pettigrew, 1985). For this purpose, I have used the term "thick description" (Geertz, 1973), which means that I transcribed the interviews literally, but also took notes about the surroundings, the attitudes of the participants and the atmosphere during the interviews.

Zooming in on text and zooming out on the environment

To study the interactions between the actors in and around the boards of governance and in the environment, it was stated in Section 2.2. that the narrative approach came about as a result of the researcher zooming in on the text or zooming out on the environment and by connecting the micro-level and macro-level (Fairclough, 1992). By iteratively alternating between 'zooming in' and 'zooming out', the organizational anthropological approach helps to show that work practices do not take place in a vacuum and that the organizational lives of people are shaped not only by individual agency, but also by historical circumstances (Nicolini, 2009). With the aid of the antroplological approach, in which one alternates

between zooming in and zooming out, researchers can contribute to the central debate in the social sciences on agency and structure.

By alternating between the role of participant and observer, between the various types of notes and by zooming in on text and zooming out on the environment, data was collected in various ways. Miles and Huberman (1994) referred to this as data source triangulation. Data are collected by means of various sampling strategies at various moments in time in various social situations involving various people. In qualitative research, triangulation is a generally accepted method to improve the quality of a study. Besides this form of triangulation, the present study also used methods triangulation, data type triangulation and analysis triangulation. Methods triangulation means using several methods to collect data, such as interviews, document analysis and observations. Data type triangulation follows from methods triangulation, because this involves various types of data such as interview transcripts, notes of observations and documentation such as annual reports and policy memoranda. Analysis triangulation concerns the use of various analysis techniques to look for meaning within a data set. Maso and Smaling (1998) stated that methods triangulation and research triangulation are ways to promote internal reliability, while source triangulation and methods triangulation primarily increase the internal validity. This is not only to confirm the findings, but can also ensure divergence, i.e. by providing divergent perspectives. Analysis triangulation therefore increases the validity primarily by providing more complex insights and deeper or broader understanding. By using this type of triangulation, the researcher uses different lenses to look at the same data set, or parts thereof.
In the remainder of this section, the three basic types of material collection in qualitative research –interviews, document analysis and observations– are explained. The fieldwork was split into two phases. The first phase was an explorative context study, and the second phase consisted of two case studies: BPF and Florabank. Both phases are explained in succession in the subsections below, but the phases took place primarily in parallel between March 2007 and August 2011. The study has a cross-sectional character. Cross-sectional research can in this case best be explained by a metaphor: the study took a snapshot of

corporate governance at a specific point in time. With the present study, the researcher did not want to make any conclusions about the impact of specific changes, but about the way in which the members of the executive board and other actors make sense of the tensions in corporate governance. However, when the changing context appeared to play a role at a specific time, this was verified among the participants and noted. One similarity between the context study and the two case studies is that was difficult to gain access to the respondents. During the interviews, a number of respondents indicated that the topic was sensitive due to the public scrutiny resulting from the financial crisis. The respondents also emphasized that everything that was published could have a negative impact on the functioning of the organization. However, some respondents indicated that the reason for cooperating with the study was that certain matters had been taken out of context and exaggerated in the media. This situation certainly had an impact on gaining access to the field. The subsections below address how this approach sometimes bore fruit and sometimes did not. A deliberate choice was made to report this because the process of gaining access shows that the research field, i.e. the executive level of the financial sector, is closed and that access can be gained only under strict conditions, and sometimes not even then. The process of gaining access to the financial sector also shows how the executive network in the financial sector works or doesn't work.

3.3.1 Phase I: Context study

The context study was exploratory in nature. The aim of this context study was to acquire knowledge and understanding of the sensemaking about corporate governance in the financial sector. In addition, the context study also had the aim of identifying various developments in corporate governance. The results that have emerged from the context study formed the basis for the second phase, which focused on two case studies. In this way, the findings from the first phase were used as input in the second phase, for example to develop the interview protocol and to design the two case studies. The following research methods were used to conduct the context study: interviews, observations and document analysis.

Interviews during the context study

Before the potential respondents were approached, the profile that the respondent had to meet was considered. The main criteria were that they were a member of the executive board or held a position in which they were in direct contact with a member of the executive board, and that they worked at a bank or pension fund. With the aid of experts from the field, e-mails were prepared in which potential respondents were invited to participate in the study by means of an interview. Notably, many actors in and around the executive board, especially the members of the executive board itself, did not respond to this email. To improve participation in the interviews, the informal network and the snowball effect were used. At the same time the interview profile was modified. For example, via the network of the researcher, a strategic advisor in corporate governance for a pension fund was interviewed. This respondent then brought the researcher into contact with a member of the executive board of a pension fund. However, it was still difficult for the researcher to gain access to the top executives, but successful contact was made occasionally. Access to a top executive of the pension fund was gained through a brief e-mail arranged by the CEO of Florabank.

In total, 13 in-depth interviews were held, ranging from 1.5 to 2 hours long. Six respondents were interviewed who worked in the banking industry and six who worked in the pension industry. Furthermore, one respondent, a professor of governance, was interviewed in order to describe the context and the developments from a scientific perspective. Table 3.4 lists the job titles of the respondents and the type of organization in which they worked, with the corresponding code that was linked to these respondents. Appendix I contains a more extensive summary of the personal characteristics of the respondents and the dates on which the interviews took place.

Table 3.4 The job titles of respondents interviewed in the context study

No.	Job title	Organization	Code
1	Corporate Director	Bank	CDB1
2	Director	Bank	DB2
3	Head of Administrative Affairs	Bank	HBB3
4	Member of the executive board	Pension fund	BP4
5	Head of Administrative Affairs	Pension fund	HBP5
6	Member of the Works Council	Bank	LOB6
7	Member of the executive board	Bank	BB7
8	Investment Advisor for the executive board	Bank	ABB8
9	Manager Accounting & Reporting	Pension fund	MAP9
10	Strategic Advisor Corporate Governance	Pension fund	SAP10
11	Member of the executive board	Pension fund	BP11
12	Member of participants council	Pension fund	LDP12
13	Professor of Governance	University	HGU13

To ensure an optimal response, the interview was held at a location preferred by the interviewee. Nearly all respondents preferred to hold the interview in their own office. As a result, the researcher also had an opportunity to observe the workplace. These observations are discussed under the heading Observational Research. As an introduction to the questions from the interview, the respondents were informed about the central topic of the study. At the same time, the framework of the study was explained briefly. Furthermore, the respondents were informed about the type of questions they could expect and how the interview would proceed. It was also explained that the identity of the respondents would be protected by referring only to their job titles, and that the information would be treated confidentially. The interview protocol consisted of a number of themes that were used to formulate the theoretical framework. These themes are the following: personal details, developments within the executive boards in the financial sector, members of the executive board within the financial sector, the actors surrounding the executive board, the culture of the Dutch financial sector and of their specific organization, and authority and control in and around the executive board in their specific organization. After this, questions were prepared for each theme. These themes and questions were deliberately not sent in advance in order to prevent the respondents from giving socially desirable answers. Because the researcher

intended to compare the interviews with each other, a number of themes with open key questions were used. These were intended as guidelines for the interview, but were primarily used to probe the answers in detail. In addition, within the themes, no pre-planned sequence of questions was followed. The respondents were thus given the opportunity to express their standpoints, opinions, ideas and thoughts on the issues they considered to be important regarding corporate governance. As a result, the respondents often discussed personal and emotional aspects as well. These aspects are important because the topic of corporate governance in this study is considered to be a sensitizing concept. Besides the use of open key questions, other techniques were used, including requesting clarification of certain answers of the respondents. For example, during the interviews the researcher reformulated some questions if she was uncertain what respondents meant. Another technique to improve the reliability of the study is the use of a tape recorder. To prevent the loss of the context and the situation in which the questions were answered, while transcribing the interviews these aspects were reported as objectively as possible.

Observations

In this study, the observations were qualitative in nature and were intended to discover how people make sense of their actions (Saunders et al., 2011). By means of observation, insight was acquired into the symbolism that is used by actors in and around the boards of governance in the financial sector. Bernard (1998) described two additional advantages of observation. The first advantage is an enhancement of the quality of the data that are collected during fieldwork. The second is an enhancement of the quality of the interpretation of the data. There was sufficient justification for the researcher to use observations, but here as well the provision of access to participate in the meetings was an obstacle. No organization gave the researcher permission to attend meetings between the executive board and the internal supervising authority (supervisory board). According to the members of the executive board, the reason for this had to do with the fact that confidential information was exchanged, which prevented any outsiders from being present. The study has shown that there is no room for negotiation in acquiring access to meetings between the executive board and the surrounding actors. All the executive boards refused permission

to attend these meetings. This attitude had consequences for the quality characteristics of the study (Section 3.5); although the researcher was not permitted to make observations of interactions between members of the executive board and the surrounding actors, she was able to use two other types of observation. The first type of observation was made at locations where actors in and around the executive board periodically appear, such as their own workplaces, the office building and a gentlemen's club. These observations took place at the same locations where the interviews were held. The second type of observation was made at meetings during which verbal communication about corporate governance took place by members of the executive board and the supervisory board such as seminars and conferences. Table 3.5 shows that the first five observations were of the first type, and the second five were observations of verbal communication. Appendix I contains a more detailed summary with data.

Table 3.5 Observation locations or meetings for the context study

No.	**Description of the location or meeting where the observation was made**	**Organizations**	**Code**
1	Workplace of a member of the executive board	Pension fund	WBP1
2	Reception area	Pension fund	RP2
3	Reception area	Bank	RB3
4	Workplace of members of the executive board	Bank	WBB4
5	Gentlemen's club	Banks and pension funds	HBP5
6	Seminar "Investing in society", organized by the ABP pension fund	Pension fund	SP6
7	Meeting with local residents	Bank	BO7
8	Symposium "Supervisors in class" organized by the National Registry for supervision	Banks and pension funds	SBP8
9	Presentation of Governance Toolkit for pension funds organized by the National Registry of supervision	Pension funds	TP9
10	Symposium Corporate Governance handbook	Banks and pension funds	SBP10

For all types of observations, the researcher assumed the same type of role: that of the observer. The researcher acted only as an observer and did not interact with the group. However, the seminars and conferences were frequently followed by a reception, and that gave the research the opportunity to ask questions. All observations focused on the symbolism of the financial sector. This was based partly on the classifications of Dandridge, Mitroff and Joyce (1980), which make a distinction between material symbols, verbal symbols and symbols concerning behaviour. During all observations, this symbolism was used when possible, but the various types of observations emphasize different aspects. For example, in the first type of observation, primarily material symbolism was used to observe the subjects. The building architecture, workplace decorations, clothing and the entrances to buildings were primarily observed. With the second type of observation, the observer paid attention primarily to verbal symbolism, such as the jargon, standard expressions, jokes and anecdotes of members of the executive board and the surrounding actors. In both types of observation, the researcher also observed the behaviour of the members of the executive board and the surrounding actors.

Document analysis

In the present study, the qualitative research method was used for the document analysis. This methodology was initially used to acquire insight into the institutional context of corporate governance. In addition, it was used for collecting background information to obtain a picture of the context, but document analysis was also used to triangulate the results that were based on other data, such as the above-mentioned interviews or observations. A distinction can be made between written material and non-written material (Saunders et al., 2011). The written material that was collected during the study included social and financial annual reports, charters, regulations, corporate principles, organograms, corporate websites and memorandums, periodicals and newspaper articles. Non-written material that was used in this study essentially involved TV and radio broadcasts: television broadcasts such as Tegenlicht, Zembla, talk shows such as Pauw en Witteman during which members of the executive board or other actors such as representatives of the DNB regularly participate, and radio broadcasts such as BNR and Radio 1. The documents were selected in various ways. For example, some respondents

referred to documents such as the reports of the Goudswaard and Frijns parliamentary commissions, and other documents were found by searching for information about corporate governance on the Internet. Non-written material was found primarily because the researcher herself carefully followed the television and radio broadcasts on executives in the financial sector or she was tipped by friends and acquaintances about the broadcasts.

During the document analysis, acquiring access to the documents was not a problem. All documents were publically available or could easily be requested from the relevant organizations. However, when using this research method it was particularly a challenge to make a good selection of the document material. During this process the researcher had to assess whether the documentation was suitable. The researcher made this assessment based on two assumptions. First, by assessing whether the documents were suitable to answer the central research question of the study. Second, the researcher looked at the source of the data. Dochartaigh et al. (2002) referred to this as the authority or reputation of the source. For example, during the document analysis the researcher used a reasonably large number of reports from large, well-known organizations such as the DNB, the Netherlands Authority for the Financial Market (AFM), the European Commission and Basel I and II, as well as reports from well-known parliamentary commissions such as Tabaksblat, Frijns and Goudswaard. This systematic approach increased the validity and reliability of the selection of documentation. The relevant documents were all given codes and digitally archived as much as possible, after which they were included in the data analysis (see Section 3.5).

3.3.2 Phase II: Case studies

Phase II of the field research focused on the members of the executive board and the surrounding actors in a specific organizational context. In view of the importance of the context in social constructivist research, a multiple case study approach was chosen. Robson defines a case study as "a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence" (Robson, 2002: 178). By using multiple (two) case studies, it was possible to conduct an in-depth study

of the social reality of members of the executive board concerning corporate governance. These case studies are presented in Chapters 4 and 5. This concerns a multiple, non-comparative case study approach; this is because the sensemaking about corporate governance of members of the executive board was the central focus. The case studies were selected based on a combination of substantive and practical reasons (Section 1.5). One practical reason is the fact that it was difficult to gain access to organizations in the financial sector. This request for access involved not only the issue of whether or not the member of the executive board wanted to cooperate with the interview, but also whether he or she gave permission to the organization as a whole to cooperate with the research. In total, 20 attempts were made to gain access to various organizations. The initial contact with the organization was made in one of two ways: formally or informally. In the formal approach, an e-mail was prepared with the aid of informants in the field so that members of the executive board could become interested in the theme of this study. This formal approach was not successful. The informal approach made use of the network of the researcher herself and various informants. These discussions were sometimes promising but did not always lead to the desired result. Some respondents also indicated later on that it could have had to do with the fact that the members of the executive board did not want to take any risks that could lead to negative publicity for themselves or their organization. These exploratory conversations led to a follow-up meeting on five occasions.
Subsequently, various aspects were coordinated, and work took place on a concrete research proposal for the organization, but on these occasions as well, permission for cooperation was not granted; the reasons for these refusals were often unclear. The following example illustrates this situation: a member of the executive board of a large bank advised the informant to contact the head of the Secretary of the board at the bank. Following an exploratory meeting with the head of executive affairs and a member of staff from this department, several meetings were held that led to a research proposal. After the new research proposal was completed in consultation with the above-mentioned member of staff, the researcher received an e-mail with the notification that the member of staff, following consultation with colleagues, did not see any benefit for the bank and declined to

participate in the study. Reflecting with my informant about how to take the right approach to gain access to the financial sector, we wondered if we should have made contact at a different level of the organization or if we should have spoken first with the member of the executive board directly. This example says nothing about the reasons for the denial, because the actual reason for denying access to the organization remained vague, but it does say something about the fact that it is difficult to gain access; we also had the impression that it was perhaps better to acquire contact through the members of the executive board themselves.

At BPF and Florabank, however, the exploratory discussions did lead to successful contact. Notably, at both organizations the informant was acquainted with the members of the executive board and at both organizations access to the organization was requested directly at the executive level; no use was made of internal intermediaries. At BPF, contact was first sought with the Secretary of the Board, who introduced the proposal at the executive board meeting, after which official permission was granted to cooperate with the study. In particular, the chairperson of the supervisory council asked many questions preceding the interview about the anonymity of the study and the fact that no financial information would be included in the report. By e-mail, additional assurance was provided that the data would be treated anonymously. For this reason, the names of the respondents and organizations have been fictionalized. The chairman of the supervisory council also requested confirmation by e-mail that permission would be acquired from BPF before the study was published. At Florabank, the unofficial decision to cooperate with the study proceeded more smoothly. This was possibly because the CEO and the informant had known each other previously and because the CEO was also very interested in the results of the study. Two collection data methods were used for the case studies: in-depth interviews and document analysis; these methods are explained further below.

In-depth interviews

The in-depth interviews were held with actors in and around the executive board of BPF and Florabank. Table 3.6 lists the job titles of all respondents from the two organizations. Appendix II provides an extensive summary of the background of the respondents.

In both case studies, the selection process of the respondents proceeded differently than the researcher had initially planned. At the BPF, an exploratory meeting first took place with one of the members of the executive board, after which a proposal for the entire executive board was prepared; this proposal included information about the study and the job titles of the respondents who wanted to talk with the researcher. This memorandum was presented at the executive board meeting and approved. Through the director of the executive office, the researcher acquired the names and telephone numbers of the individuals concerned. All respondents were then contacted first by e-mail and then by telephone, and were asked if they wanted to participate in the study. All individuals but three participated in an interview. For one individual, the reason for not participating in the interview was lack of time, the second individual worked for an external office with a different policy, which prevented participation in research about their clients, and the third individual did not explain the reasons for declining participation. At Florabank, gaining access to the respondents proceeded differently.

Table 3.6 The job titles of the respondents in the interviews for the case studies

No.	Actor	Job title	Organization	Code
1	Executive board BPF (employers organization)	Chair	BPF	VWGF1
2	Executive board BPF (employee organization)	Board Secretary	BPF	SWNF2
3	Executive board BPF (employers organization)	Member	BPF	LWGF3
4	Executive board BPF (employee organization)	Member	BPF	LWGF4
5	Executive Office	Director	BPF	DBBF5
6	Pension Administration	Account Manager	BPF	ACPF6
7	Portfolio Management	Account Manager	BPF	ACVM7
8	Investment Advisory Committee	Member	BPF	LBACF8
9	Participants Council	Chair	BPF	VDRF9
10	Supervisory Council	Chair	BPF	VRvTF10
11	Executive board	CEO	Florabank	CEOF11
12	Executive board	CFO	Florabank	CFOF12
13	Executive board	COO	Florabank	COOF13

14	Daily management of Netherlands branch	Managing Director	Florabank	ADF14
15	Depository Receipt Holders	Foundation President Administration Office	Florabank	VAAOF15
16	Supervisory Board	Chair of Supervisory Board	Florabank	VRvCF16
17	Works Council	Chair of Works Council	Florabank	VORF17

Permission was not granted by the full executive board, but was limited to the chair of the board. During two exploratory meetings with the CEO, the researcher herself specified the individuals whom she wanted to interview. The CEO declined permission to contact two of these individuals. This justification was that he was "afraid" that an interview with these respondents would lead to unrest because sensitive issues were involved. Notably, one of the respondents at the bank, who knew how the respondents were selected, referred to the selection method as being characteristic of the CEO. He emphasized that the CEO did not have any malicious intent, but that his drive for direction and control played a major role. In Sections 5.1.3 and 5.2.5 this attention for direction and control is addressed in more detail. Clearly, the role of the members of the executive board in the selection of respondents impacted the validity of the study (Section 3.5). However, it must also be emphasized that this concerned only two respondents at Florabank who were not involved with the study.

Similar to the interviews in the context study, the respondents were informed before the interview about the topic of the study, what kind of questions they could expect and the interview process; the aim was to establish trust. The interview questions were divided into the same themes as the interviews in the context study. Similar to the exploratory meetings, there was no planned sequence of questions, and the participants were given the opportunity to express their standpoints, opinions, ideas and thoughts about issues concerning corporate governance that were important to them. Also during these interviews, various techniques were used such as asking open questions, probing the answers and

moving from general to specific topics. The respondents were asked to make a drawing of corporate governance in and around the executive board in the financial sector. They were also requested to fill in a matrix which ranked the authority of the various actors, along with how much time –divided into formal an informal time– the actor spends with the actors concerned and the way in which they have the most contact with this actor; the respondents could choose between face-to-face contact, e-mail, fax or other communication media. The matrix was used primarily as an aid to acquire insight into the relationship and interaction between the various actors in daily practice. The idea to use this approach emerged from the in-depth interviews during the context study, when some respondents spontaneously began drawing the situation in the organization to clarify matters. The characteristics of the in-depth interviews for the case studies are shown in Table 3.7.

Table 3.7 The case study interviews: characteristics and techniques

Selection of the interviews	The executive board played a major role in the selection of respondents at BPF and Florabank.
Choice of location	Choice of location for interview with respondent. To ensure an optimal response, the interview was held at a location preferred by the interviewee. Most interviews were held at the office of the respondents, some interviews at other locations such as gentlemen's club or at the home of a member of the executive board.
Duration of interview	The usual duration of the interview was 1.5 hours, but some lasted 2.5 hours. Information about the interview and the topics that would be discussed was sent to the respondents in advance.
Basis of the questionnaire	Semi-structured questionnaire with themes linked to the central research question.
Interview techniques	Open questions, probing the answers, from general to specific. The first part of the study concerned, among other things, corporate governance in general; the second part primarily concerned the specific situation of the respondent in the organization context, and using the matrix and drawing.

Document analysis

Ritchie and Lewis (2003) stated that "document analysis is either conducted to understand their substantive content or to illuminate

deeper meanings, which may be revealed, by their style and coverage" (Ritchie & Lewis, 2003: 35). For this study, a combination of both analyses was used to provide a valuable contribution to the data collection process. During the interviews, the respondents referred to financial and social annual reports, charters, regulations, corporate principles, organograms and other documents, such as reports of parliamentary commissions. In addition, research was conducted on the Internet. The history, structure, image, policy and symbolism on the Internet site of the bank and pension fund were analysed and studied. The disadvantage of this document material turned out to be the lack of the context in which specific statements were made, measures were implemented and other events occurred. Hutjes and Van Buuren (1992: 79) added that document material does not provide any insight into the conditions under which the material was created. Therefore, in this study documents were used in combination with the in-depth interviews.

All research data was transcribed. The notes of the observations, the transcripts of interviews in the documents were stored as documents in a folder structure. In addition, a cover document contained the date, the topic of the data, the author of the document and the type of document. This cover document was used when conducting fieldwork and analysis. In addition, theoretical and methodological notes were taken (Schatzman & Strauss, 1973: 99) about the ideas that were developed and the procedures that were followed in the study. This structured method for processing data benefited the quality of the data analysis, partly in terms of reliability and repeatability.

3.4 Ethical considerations

In 2012, the Association of Universities in the Netherlands (VSNU) amended The Netherlands Code of Conduct for Scientific Practice (VSNU, 2012). Compared to the first publication in 2004, the code has remained largely the same. The code prescribes five principles that academic scientific practitioners (lecturers and researchers) should take into consideration, individually, with respect to each other and with respect to society. These five principles are scrupulousness, reliability, verifiability, impartiality and independence. The first overarching principle is that every scientific practitioner is bound to the frameworks established by

Dutch and international legislation. A second overarching principle is transparency: every scientific practitioner must demonstrate, or be able to demonstrate, how he or she puts these principles into practice. In this chapter, the researcher has sought to make these principles transparent. This has consequences for the quality of the data, which primarily involves reflection on the reliability and verifiability of the study. Lombarts (2011) ascertained that these five principles are very similar to the six techniques that Schwartz-Shea and Yanow (2009) proposed to increase the reliability of research: thick description, reflexivity, triangulation, an audit or audit trail, negative case analysis and member checking. Several of these techniques have been used in the present study and are discussed in this chapter. In the context of research, ethics predominates over correctness in the behaviour of the scientific practitioner with respect to the rights of those who will be affected by the research. In the VSNU code of conduct, this aspect is expressed under the heading scrupulousness as follows:

> Every scientific practitioner demonstrates respect for the people and animals involved in scientific teaching and research. Research on human subjects is only permitted upon their freely given informed consent and if there are no or just the slightest of risks. The privacy of subjects involved is sufficiently protected. If research on humans or animals poses any kind of risk, the significance of the research must justify taking that risk (VSNU, 2012: 4).

When conducting research within the financial sector, it turned out that the subjects experienced difficulty in providing access. According to Saunders et al. (2011), this could have been the result of various causes. For example, the individual may not have seen any added value in the study, the topic is sensitive, or the individual might have been concerned about the confidentiality of the information or doubted the competency of the researcher. Of course, other events which did not have anything to do with the study itself could have also played a role. When queried about the underlying reasons, it turned out that the confidentiality of the information was a primary reason for doubt among the respondents. Consequently, when requesting access, the researcher referred to the

code of conduct (VSNU, 2012). By indicating that the researcher was bound to the ethical provisions in this code, it was possible to offer a certain degree of comfort and assurance to the respondents; as a result it was possible to address certain topics more frequently and in greater depth. Furthermore, the anonymity of the respondents, subjects and informants was assured by anonymizing the organizations and only reporting the job titles in general terms (for example a member of the executive board of a bank or a member of the participants council of a pension fund). While conducting the interviews, respondents requested several times that no financial data be reported in the study, as this could be damaging. Several times they also asked for the recording to be stopped because they wanted to share confidential information that they didn't want used in this study. These requests were granted, of course, to avoid harming the trust between the researcher and subjects, but they did have consequences for the reliability of the research (Section 3.5).

3.5 Data analysis, interpretation and representation

Within social constructivism there are major differences in research approaches. This study is consistent with the tradition of discourse analysis (Section 2.2). In a discourse analysis, patterns, ideas and concepts that are potentially key to efforts at sensemaking in a specific period are analysed (Fischer & Forester, 1993; Hajer, 1993; Hajer & Wagenaar, 2003). In this study, I aimed to identify the dominant narratives on corporate governance that "circulated" in the period between March 2007 and August 2011. Researchers who study discourse analysis use a wide range of approaches, such as narrative analysis, critical discourse analysis and ethnography. These researchers also have various scientific backgrounds, such as linguistics, sociology and history (Duijnhoven, 2010). Various meanings can be attributed to the concept of discourse analysis, depending on the discipline and theoretical scope (Burr, 1995; Gee, 1999; Wetherell et al., 2001). A common aspect of all approaches is that text plays an important role. Text can be defined here as written material, photographs, architecture, fashion and symbols referring to discourse (De Koster, 2007). Actually, just about everything that has meaning is seen as "text". There are many traditions of discourse analysis, but the social constructivists belong to the action tradition in which the process of sensemaking is studied.

Roughly speaking, within the social constructivist approach two types of interpretations can be distinguished: the micro approach and the macro approach. The micro approach to analysis is concerned with the question of how certain discourses are used and with which aim and effect. This is the action orientation of text: talk-in-interaction is key. This type of research is usually performed on transcripts of natural conversations and interactions, primarily involving the interaction between researcher and respondent. The narratives can be traced by studying how the narrators (interviewees) are engaged in corporate governance, the arenas and venues in which they tell stories and the public that they appeal to. The macro approach to discourse examines which discourses are available in our society and what their implications are for people in this society. What is the significance of a specific discourse for the experience of corporate governance? Hence the discourse not only provides sense, but is also shaped by practices. What is said is related to who says it; a pattern occurs not only in the stories, but also in the storytellers, which provides some stability. According to Hajer (1995: 60), in that case there is a discourse coalition: "a discourse coalition is the ensemble of a set of storylines, the actors that utter these storylines and the practices that conform to these storylines, all organized around a discourse". In discourse analysis, the researcher zooms in on the text and zooms out on the environment, and links the micro and macro levels together. Fairclough (1992) postulated that during a discourse analysis, the researcher moves from one analysis level to another at various times in order to arrive at a complete picture of interaction in a societal or ideological context. The analysis focuses on the relationship between discourse and how people think and feel, what they do (practice) and the material context within which this process takes place. Because Michel Foucault was one of its main sources of inspiration, this approach is often referred to as the Foucauldian discourse analysis (Carabine, 2001).

To structure the data analysis, Creswell's (2013) six steps for analysing and interpreting qualitative data were used. Before the six steps of Cresswell are explained, three remarks should be made about the analysis and interpretation of qualitative data. First, it should be noted that the researcher does not claim to generalize, but wants to offer insight into the sensemaking of tensions in corporate governance.

According to Ritchie and Lewis (2003), qualitative research can be generalized, but the framework in which this happens requires more clarity. They stated that there are a number of important principles to bear in mind when generalizing from qualitative data: encompassing diversity, the nature of the phenomenon being studied (and not the statistical significance of the relationship), level of classification, assigning meaning and interpretation, checks on research design and conduct, display of research methods, noted limitations and validation of the inference. These principles were applied to the present study, but the question remained whether a case study –as a unique product– is representative of a broader social context. Expressed in process terms, this means the following: does a case study generate knowledge about the single, usually complex, case or does it lead to more general knowledge? In view of the various contexts of the organizations studied, the present study is not representative of the entire financial sector in the Netherlands; as a result, the results of this study are not generalizable. However, based on the analysis, (Chapter 6), it is clear that the sensemaking of tensions in corporate governance at BPF and Florabank is nearly identical. Although follow-up research should be conducted, on this basis one could postulate that the results of this study are generalizable to the entire financial sector.

The second remark about the analysis and interpretation of qualitative data is that three levels of analysis can be distinguished in this study: the contextual level (the context of the financial sector in the Netherlands), the institutional level (the banks and pension funds, such as BPF and Florabank) and the individual actor level (the members of the executive board and surrounding actors). However it must be emphasized that the various data collection methods could be applicable to all levels. For example, the data that emerged from the in-depth interviews were used not only to make statements about the daily practice of the members of the executive board and actors surrounding the executive board, but also about the contextual and institutional level. The third remark is that the unit of analysis concerns the aggregation level of the collected data (Sekaran & Bougie, 2013). The unit of analysis is determined by the central research question and the research questions that emerge from the central research question. Although the cultural practice and strategic practices involved a single group –actors in and around the

boards of governance– the actors of the organizations within the financial sector were also studied separately. This was the case with the interviews and the observations.

1 Preparing and organizing the data

Sensitizing concepts are the starting point for generalizing and analysing the data. Constant interaction between data collection and theory, or between production, analysis, and theory, serves to test, improve and verify the sensitizing concepts (Blumer, 1954). This method is broadly similar to the grounded theory approach developed by Glaser and Strauss (1967), in which constant alternation between theory and practice plays an important role. The development of a theory takes place through a combination of induction and deduction. In this study, the sensitizing concepts were constantly confronted with the empirical data sources, concepts were compared with each other, it was determined which dimensions and indicators of key concepts emerged from the data sources, and finally the theoretical concepts were compared with each other (Verschuren & Doorewaard, 1995). This study adopted the principles of the grounded theory approach and resulted in a simultaneous and iterative process of collecting, structuring and analysing data. The following subsections zoom in on how the data were processed, unravelled and made ready for interpretation.

2 Exploring and coding the data

All field notes, documents, newspaper articles, matrices and drawings were searched and categorized by providing them with general labels (topics) such as laws and regulations, seeking balance between stakeholders, moral awareness and so on. Along with these topics, the researcher also noted the origin of the data and from which organization and person that information originated. This could be the bank, pension fund, the government, the DNB or the media. The remaining data that was not relevant at that time was saved for later. All the documents were read and labelled several times. This process emphasizes the iterative-inductive nature of this research approach (O'Reilly, 2005). During this process the researcher attempted to organize her thoughts systematically by writing memos, ideas about empirical descriptions, lists of metaphors, relationships, tensions, the chronology of events, and so on.

It became clear that the labels could be reduced to three types of logic: actor logic, institutional logic and logic of practice. In Chapters 4 and 5 the three types of logic of BPF and Florabank are presented in the various stories. The data in the three types of logic are then analyzed. This involved the use of zooming in and zooming out (Nicoloni, 2009). The data were coded. By continually studying the codes, three grand narratives emerged from the study, with corresponding subvariants and counter-narratives. Initially, four grand narratives emerged from the data. This was because one of the subvariants –corporate governance acting in accordance with the social view– was initially regarded as a grand narrative from the study. By repeatedly studying and comparing all the data, it turned out that this was not a grand narrative, but a subvariant. The process is similar to solving a puzzle: you keep trying until the entire puzzle fits together.

3 Describing the findings and establishing the themes
The salient features of the codes and themes were first examined, followed by a detailed description, per method, of the data. For each method a summary was produced containing passages, quotes, sentences, drawings and matrices. This analysis, following the recommenddation of Creswell (2013), was layered. The first layer consisted of abstractions of raw data in the form of notes, documents and drawings. In the second layer, prominent features and themes were identified. In the third layer, the data were fed back to the theoretical framework. The findings from the narrative concepts led to a description of the sensemaking about the tensions in corporate governance.

4 Representing and reporting the findings
In this phase, the results were shown in clear representations in the context of the research questions and the theoretical foundations. For this purpose, the matrices suggested by Miles and Huberman (1984) were used, in which the inputs are formed by the topics. The data were coded and placed in the cells of the matrix. The data for each organization were placed together to acquire insight into the differences between BPF and Florabank. This approach was used to analyse the data from the interviews. The matrices were developed to improve the reliability and validity of the results. The data matrices are the source of the reliability of the study, and as Bijlsma-Frankema and Droogleever

Fortuijn (1997) stated correctly, this shows the analytical steps that were taken to draw conclusions.

5 Interpreting the significance of the findings

In ethnographic research, interpretation and analysis are not seen separately from each other. The data were interpreted according to the procedure described by Creswell (2013), The researcher steps back and forms some larger meaning about the phenomenon based on personal views, comparisons with past studies, or both (Creswell, 2013). The central research question and the subsequent questions that emerged from the central question are answered in Chapter 7. Suggestions for further research and reflections are discussed in Sections 3.6 and 7.4. Martin (2002) argued that criteria such as reflexivity are crucial to the assessment of qualitative research. This is due to the close relationship that the researcher had with the respondents and informants within the study. Reflexivity is defined as "'the depth of insight offered by the researcher into his or her own effect on and relation to the data being collected," (Martin, 2002: 226). Creswell (2013) urged researchers to reflect on their role in studies such as this: "Researchers should reflect upon their own biases, values and assumptions," (Creswell, 2013: 187). In this study, reflexivity is seen more as looking back at oneself, as a process of self-reflection for the researcher. During the entire study, the researcher maintained a reflective dialogue with three informants to gain clearer insight and to find patterns in the literature study and the data collected during the fieldwork. To this end, reflection took place continuously throughout study; as a result not only the validity of the research was improved, but also the controllability, manageability, reliability and validity.

6 Validity and reliability of the findings

In this chapter, the reliability and validity of this study have been mentioned several times. The general definition of validity is "the extent to which the instrument measures what it purports to measure". The two main types of validity of this study are content or face validity and construct validity. Face validity can best be assessed by asking the question whether the measure appears at first glance to be a good measurement instrument. For the content of face validity, experts were interviewed, theory was studied and data was verified in the various

phases. Although this took place systematically, Hair et al. (2003) stated correctly that this approach involves a level of subjectivity. To determine whether corporate governance was used consistently and correctly in accordance with the theoretical framework of the study, construct validity was pursued. Two strategies were used to develop construct validity. First, the informants were approached, i.e. the member check (Bijlsma-Frankema & Droogleever Fortuijn, 1997). They were asked to check the processed data and the tentative results. Second, the entire study was subjected to a continuous formal audit. This research audit was conducted separately by three academics. These experts individually audited all actions and procedures during the study. This audit procedure concerned not only the validity of the study, but also its accountability, reliability and credibility.

Various strategies were used to improve the validity. For example, frequent meetings were held with fellow researchers, supervisors, informants and respondents to gain feedback on the data collection and its interpretation. The researcher was able to present the matrices that were developed for the study, which allowed the data to be shown in a structured fashion. Inconsistencies were explored during the feedback meetings, during which the accuracy and completeness of the study were also confirmed. Triangulation was applied to the three data collection methods and to reflect on the theoretical framework. In addition, data matrices were used in the form of the narrative model (Section 2.5). This turned out to be very useful. Four of the five functions of a qualitative data matrix, as described by Bijlsma-Frankema and Droogleever Fortuijn (1997), were applicable to this study. First, the data in the matrices provided an overview of the most important initial findings and allowed for data reduction. Second, the matrices provided an overview of the level of completeness. Empty or incomplete cells were identified; as result decisions for further data collection and modify-cation or data reduction could be made. Third, the variation between the respondents within the same case study, the origin of the documents and the observations could be found quickly, which enabled an initial interpretation of the matrices in the context of the research question. Fourth, by comparing and analysing the various matrices, anomalous findings could be localized and explained. Regarding this last function, Bijlsma-Frankema and Droogleever Fortuijn (1997) referred to the

possibility of generating hypotheses based on the matrices. Although patterns were found and confirmed, formulating hypotheses was not an aim of this study, although it did lead to this.
With respect to qualitative research, reliability concerns the question of whether different researchers would have acquired the same information (Easterby-Smith et al., 2002). Related to reliability are interview bias and respondent bias. In particular, respondent bias could have impacted the study. During several interviews it became clear that some respondents were hesitant about sharing sensitive information with the researcher. They sometimes requested the researcher to stop the tape recorder or stated explicitly that the information was not intended for the public. One respondent even said the following:

> At the beginning of the study I didn't actually know what I could or could not say, but during the discussion it became clear you would indeed treat the interview confidentially (Bank Director).

As researcher, I had the feeling that I periodically had to prove my credibility and gain the trust of the respondents. I attempted to minimize this risk of respondent bias by sending an e-mail that immediately emphasized that the interviews would be handled confidentially. By being open, I attempted to gain their trust. For example, through my informant (whom they all knew) I informed the respondents at the pension fund that the executive board had given me access. At the beginning of the interview I then emphasized that the interviews would be handled confidentially. I also indicated that I complied with to the guidelines of the VSNU, which describe the rules for integrous scientific conduct (VSNU, 2012). To improve the reliability, various data collection methods were used (in-depth interviews, document analysis, and observations). Boeije et al. (2009) also refers to this as methodological triangulation. During the present study, the researcher aimed to have the interviews proceed in the same way, but that was not always feasible; some respondents responded differently to certain questions than others. However, it can be noted that by using the questionnaire, the interview acquired a common thread. Preceding the interviews, two pilot studies were conducted with a fellow researcher and an informant; as a result, possible defects in the questionnaire could be repaired (such as

routing and double questions). Furthermore, during the interview more than one question was asked about the same topic; as a result the consistency of the answers given by the interviewee could be examined.

3.6 Reflections on and limitations of the study

The aim of this study was to acquire insight into the tensions in corporate governance in the financial sector. This is why two case studies were conducted. Since these organizations are not representative of the entire financial sector, based on this study it is not possible to make conclusions about the extent to which the tensions occur in the financial sector in the Netherlands. Furthermore, the choice for a narrative approach means that little insight was acquired into the actual effect of corporate governance. To make conclusions about the effect of corporate governance, the study could be expanded in two ways. First, the effects that are to be measured must be specified. Second, an interesting follow-up study would be to look at how democratic corporate governance is perceived to be. Based on the analysis conducted in the present study, it was not possible to measure such effects; clearly, this would have been a useful and important addition.

Interpretive research always takes place from a specific perspective; it is not possible to approach, present or analyse a narrative in a value-free or theory-free fashion. Martin argued that criteria such as reflexivity are crucial to the assessment of qualitative cultural research. Reflexivity is defined as the depth of understanding that the researcher has about his or her own influence on, and relationship with, the data that are being collected (Martin, 2002: 226). Creswell (2013) also urged the researcher, prior to conducting studies such as this one, to consider his or her own prejudices, assumptions and values (Cresswell, 2008: 58). During the study, as an outsider, I realized that my image of the executive world in the financial sector was initially coloured largely by the societal debates. In particular, the negative reports in the media, such as those about the greed and bonus culture, initially coloured my image of the executive world in the financial sector. It should be noted that during the in-depth interviews, almost all respondents from both BPF and Florabank immediately discredited or qualified certain images from the media. For example, nearly all respondents at BPF and Florabank emphasised that they receive no bonus or incentive. Many of my prejudices and inaccurate

images were thus rectified by the respondents themselves. My image of actors in and around the boards and governance has changed during the study. The respondents themselves not only played a major role in this change, but during the study I also became aware that the position and interests that you represent as a researcher are very decisive. Although I worked previously at ABN AMRO and had also done research in the Dutch banking sector, after completing the present study I had a very different image of the actors in and around the board of governance. I believe this is because I was not previously familiar with the administrative level, despite my knowlege of the financial sector. I have gained more insight into the tensions encountered by members of the governance board and other actors around the board. This made me realize that the everyday practice in the sector is sometimes experienced very differently than it is presented in the media.
Further reflecting on my role as a researcher, I frequently had the feeling that I was an outsider, especially when gaining access to case studies and during the participatory observations. However, when I was able to actually talk with them, the interviewees were very open.

In general, it can be stated that qualitative research has value because it gives people the space to tell their stories, with extensive attention to their motives and perception. However, the disadvantage of qualitative research is that it is bound strongly to specific times and situations. People tell different stories in different phases of their lives. Insights and beliefs change continuously, and the participants themselves do not stay the same. When interpreting qualitative research, it is important to continuously be aware that the described narrative is only a snapshot. Temporary situations (e.g. the attention in the media for a specific event) can colour a narrative. As a result, certain aspects can be emphasized that otherwise would not be, which creates a distorted picture for the reader.
In Sections 3.3.1 and 3.3.2, the severe difficulty of acquiring access to the financial sector is described. One limitation of the present study was that no permission was acquired to make participatory observations during a board meeting. Furthermore, during the study I was also aware of the effect of the presence of an outsider on the statements of the respondents. The probability that socially desirable behaviour will sometimes be

displayed is high, and this provides a distorted view of reality. Although various measures were taken to put the respondents at ease and to reassure them that the data would be treated anonymously, this could have affected the validity of the research.

Another limitation of this study is that interviews were held only with actors in and around the boards of governance. However, it was a deliberate choice to not involve customers and the media in the research. The aim was not to acquire insight into the perspective of the customers or the media, but to explicate the narratives about corporate governance from the internal actors in and around the boards of governance. Nevertheless, the analysis of the narratives on corporate governance could have been enriched by the inclusion of other narrators (such as opinion leaders) and various media (television, Internet). Such studies could also provide insight into the topic of power and the struggle for dominance in public debates.

3.7 Synthesis

In this chapter, the philosophical and methodological consequences of this study are delineated. This chapter answers the second part of the research question for this dissertation: On which philosophical foundations and methodological considerations is this study based?

In Section 3.1, the philosophical assumptions of this study are explained on the basis of ontological and epistemological positions. This study can be described as idealistic-interpretive research. Idealism refers its social constructivist point of departure, which means that one assumes that social reality is constructed in interaction. This point of departure has a direct link with interpretivism. The word says it all: interpretivism means searching for the interpretations that people give to social phenomena or situations. In line with this, Swanborn stated that individuals do not respond initially to the direct actions of people with whom they interact, but to the presumed meaning behind the actions (Swanborn, 1981). The supporters of the interpretative approach share an appreciation for the role of language. The ontological and epistemological position of the present study is expressed through the application of the narrative

approach that is central to the data analysis and data presentation (Section 3.5).
In line with idealism and interpretivism as the philosophical standpoints of this study, Section 3.2 shows that the research design is grounded in the organizational anthropology approach. Besides its holistic viewpoint this study looks through an emic perspective (Martin, 2002). This provides insight into the sensemaking of actors in and around the executive board. The six steps of the research process are the following: making the research design, conducting and describing the literature study, acquiring access to the field, collecting data, interpreting and analysing data and presenting the findings in book form.

In line with the ontological and epistemological standpoints as well as the organizational anthropology approach, Section 3.3 has shown that this study is explorative-qualitative in character. It is about identifying the guiding principles of corporate governance and improving the understanding of the reality construction about corporate governance. To study the lifeworld of the actors in and around the boards of governance, data source triangulation, methods triangulation, data type triangulation and analysis triangulation were used. The fieldwork was split into two phases. The first phase was an explorative context study, and the second phase consisted of two case studies: BPF and Florabank. The following research methods were used to conduct the context study: interviews, observations and document analysis. For the case studies on a pension fund (BPF) and a bank (Florabank), in-depth interviews and document analysis were used.

Section 3.4 shows that this study complied with the code of conduct for scientific practice (VSNU, 2012). The code contains five principles: scrupulousness, reliability, verifiability, impartiality and independence. Lombarts (2011) ascertained that these five principles are very similar to the six techniques that Schwartz-Shea and Yanow (2009) proposed to increase the reliability of research: thick description, reflexivity, triangulation, an audit or audit trail, negative case analyse and member checking. Several of these techniques have been applied in the present study and have been addressed in this chapter.

Section 3.5 focusses on data collection and data analysis, and the quality of the data is discussed in terms of reliability, validity and generalizability. In line with social constructivist thinking, this study was conducted within the tradition of discourse analysis (Section 2.2). In a discourse analysis, patterns, ideas and concepts that are potentially key to sensemaking in a specific period are analysed (Fischer & Forester, 1993; Hajer, 1993; Hajer & Wagenaar, 2003) In this study, I sought to distinguish the dominant narratives on corporate governance that "circulated" in the period between March 2007 and August 2011. To structure the data analysis, Creswell's (2013) six steps for analysing and interpreting qualitative data were used: preparing and organizing the data, exploring and coding the data, describing the findings and establishing themes, representing and reporting the findings, interpreting the significance of the findings and validating the accuracy of the findings.

In Section 3.6, the reflections on and limitations to the study are addressed. An important remark is that the case studies were not representative of the entire financial sector. Consequently, it is not possible on the basis of this study to make conclusions about the extent to which the tensions occur throughout the financial sector in the Netherlands.
A crucial key to understanding data drawn from qualitative research is the context in which they were gathered. This is why the following section on the context of the financial sector has been included. After these brief "sketches" of context, the detailed descriptions of and findings from the case studies will be presented.

Sketches of the context of the financial sector: a brief overview

This section sketches the context which dominates both case studies. Financial crisis, greed and bonusculture are key words of this context. By means of an introduction to the case studies (BPF and Florabank), the section below zooms in on the important terms in the context of financial sector at the time of the study.

The financial crisis has been given several designations in recent years, such as the credit crunch and the banking crisis. The credit crunch is the designation for the crisis that originated in the financial markets in the summer of 2007 and peaked in the autumn of 2008. The first signs of the credit crunch became apparent at the beginning of 2007 in United States. A growing number of people had difficulty making their costly mortgage payments. They had borrowed too much money on mortgages with variable interest rates. The first mortgage banks starting having problems in early 2007, and the problems quickly become worse. The US mortgage crisis spread to Europe, resulting in falling stock prices and money markets drying up. The global financial system began to crumble. Banks everywhere reported losses in the billions. In the summer of 2008 it all went wrong. Stock markets tumbled and the two largest US mortgage lenders, Freddie Mac and Fannie Mae, received billions in emergency aid from the US government. The biggest shock happened in mid-September: the US investment bank Lehman Brothers went bankrupt and was not bailed out by the government. The resulting shockwave travelled through the financial sector. During the crisis many observers noted that surveillance of the banks had failed. However, the designation "credit crunch" does not cover all aspects of crisis. There was not only a credit crunch in terms of limited liquidity and a shortage of longer-term capital, but there was sometimes a crisis of trust in the financial sector.
Closely linked to the credit crunch, in 2008 and 2009 there was also talk of a banking crisis. Due in part to bad loans, the solvency of banks was at risk. The banks held on to their money and no longer lent it to each other or to their clients, resulting is a shortage of credit. To defuse the banking

crisis, governments loaned billions to banks worldwide (Kickert, 2012). As a result of the banking crisis, a societal discussion started about the functioning of the banks. In the Netherlands there was also growing outrage over bankers, who were seen as the source of all financial woes. The public opinion was that "greed led to the crisis". All incidents and events were widely covered in the media. The bankers should confess, apologise and preferably resign. In the United States and in Britain, the bankers had to answer to tribunals. In the Netherlands, members of parliament demanded that the top executives of nine Dutch banks come to The Hague for a roundtable discussion. The members of parliament were mainly angry and indignant, the bankers were distraught and tried to explain how complicated everything was. The call for action was growing and the conclusion was that firm management was necessary. The De Wit Commission (Section 1.5), which was commissioned by parliament to investigate the financial crisis, concluded that the state had made serious mistakes during the purchase of ABN AMRO and Fortis, and in providing aid to ING. Taxpayers had paid 4 to 5 billion euros too much for the Dutch component of Fortis. The excessive amount was a result of a lack of information at the Ministry of Finance, late intervention and poor preparation.

The media paid much attention to the greed and bonus culture of financial managers. An important criticism was that the financial sector continued to pay large salaries and allowances to board members, even though the businesses were losing money and jobs were being lost. A much-discussed example was that of Rijkman Groenink, the former board chairman at ABN AMRO. His severance payment of 4.3 million euros and almost 26 million euros in options and shares, which had been agreed before the crisis, aroused great public indignation. The media played a major role in this situation. Executives were publicly confronted and criticized in the media for their greedy behaviour. In addition, social protests and demonstrations, such as the Occupy movement (Section 1.1), began in Wall Street in New York and moved to other countries, including the Netherlands.

The case studies presented in the following chapters took place against the background described above.



Chapter 4

BPF



4 BPF

This chapter gives background of the case study of the "Industry-wide Pension Fund" (hereinafter, the Dutch abbreviation BPF will be used), in preparation of chapter six which gives an analysis of BPF in light of theory. This chapter aims to answer to the second research question: "How do actors in and around the boards of governance of BPF and Florabank deal with tensions in corporate governance?". The findings of this case study are presented in this chapter with the aid of three types of logic: the logic of the actor, of the institute and of the practice. The term logic is based on the core concept institutional logic. It focuses on how broader belief systems shape the cognition and behaviour of actors. Thornton and Ocasio (1999: 804) define institutional logics as: 'the socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organize time and space, and providing meaning to their social reality'. The core assumption of the construct is that logics exists in a dynamic interplay between individual and macro-phenomenological levels of analysis. Logics are the products of shared beliefs and values in a community of individuals and they shape individual behaviour by defining what is considered the sensible thing to do.

These three types of logic can be considered as three separate concepts that become concrete through the presentation of quotations from stories from the case study. These stories are drawn from interviews and document analysis and they are thus paraphrases of stories told by the actors themselves. In Section 4.1, the main actors take centre stage: What kind of people are these? What is their background and origin? What is important to them in their work? This is followed by the second topic: What is the dominant language of the key players and how is that language given shape in the daily practice of corporate governance? And finally the third topic is addressed: How do the actors in and around the executive board of BPF experience the present time and how do they deal with this? Section 4.2 focuses on the logic of the institute. Based on historical stories about external rules and internal processes,

procedures and stories about the interests and maintaining the balance between these interests, it becomes clear how corporate governance is given substance within BPF. Section 4.3 then presents the logic of practice, with stories about the tensions in practice: Which obstacles do actors encounter in practice, and how do they deal with these obstacles? Finally, Section 4.4 closes this chapter with a synthesis.

4.1 Presentation of the actor logic

The heading of this section refers to the presentation of the logic of actors in and around the executive board. By determining who the key players are, what is important to them, how they think and in which context they must operate, insight can be provided into the worldview of actors in and around the executive board.

4.1.1 The key players

To provide insight into the background and origin of the key players in and around the executive board of BPF, Appendix II includes a summary of the background and origin of the respondents of BPF. To clarify the relationship between players and respondents, Table 4.1 again shows the background and origin of the respondents.

Table 4.1 Personal background of the respondents at BPF

No.	Actor	Job title	University education	Male	Age ≥ 50 years	Background in Economics or Law	Part-time position
1	Executive board BPF (employers organization)	Chairman	V	V		V	V
2	Executive board BPF (employee organization)	Secretary of the Board		V	V		V
3	Executive board BPF (employers organization)	Member				V	V

4	Executive board BPF (employee organization)	Member		V	V		V
5	Executive Office BPF	Director		V		V	
6	Pension Administration (external bureau)	Account Manager		V			V
7	Portfolio Management (external bureau)	Account Manager	V			V	V
8	Investment Advisory Committee (external agency)	Member	V	V		V	V
9	Participants Council (employee organization)	Chair		V	V		V
10	Supervisory Council (various other organizations)	Chair	V	V	V	V	V

Three important remarks can be made about the key players shown in this table. First of all, nearly everyone (with the exception of the Director of the Executive Office worked part-time at the pension fund. Besides their jobs at BPF, all respondents had another job in the industry, with a trade union or a commercial organization. The fact that nearly everyone had their primary job elsewhere meant that they did not have a fixed workplace at BPF, but had to make appointments to see each other. This resulted in a different dynamic than the actors in and around the executive board, who had a fixed workplace within the organization. The member of the executive board of the employer organization explained this as follows:

> The company is ultimately a social community in which people can work together to a greater or lesser extent. The more you work

> together, the more you learn about each other. The executive board of the pension fund holds periodic meetings. As chairman, you have more contact, and sometimes you have more time to seek social cohesion, but this is not your primary safety net. I believe that chemistry in the executive board of a commercial organization is more important than in the board of a pension fund, because you are not bothered, you are going see each other every two months (Interview with member of executive board of employers organization).

Another impact of working part time is that nearly everyone has their main job elsewhere. At BPF, they represent not only the interests of the pension fund, but also the interests of a particular group (such as employees, employers or pensioners) or another organization (such as a trade union, employer organization or a commercial agency).

The respondents indicated that representing a constituency or an organization means that they also have to consider the perspective of this constituency or organization. The in-depth interviews indicated that it is difficult to stay informed about the wishes and needs of their constituency, not only for the members of the executive board, but also for the members of the participants council. The account manager Portfolio Management and account manager Pension Administration both stated that they always had to look at whether the wishes and needs of the customer are compatible with what their organization could provide. Consequently, when requested to do something, they regularly doubted whether they could make commitments.
The second remark is that only two of the ten respondents were women, but in contrast to the executive boards of many other pension funds, during the interviews it turned out that half of the members of BPF executive board were women. When asked why there are generally so few women on the executive boards of pension funds, the respondents stated that it has to do with the effort that it takes to recruit women for such positions. Although the respondents were also aware that fewer women are generally available for these positions, they indicated that they were not always acquainted with the women who were available and therefore they had work harder to contact them. According to the respondents, because society is now places more emphasis on the

participation of women and minorities in management, there is more effort to ensure the participation of women in and around the executive board. Moreover, the respondents experienced the balance between women and men on the executive board of BPF as positive. They referred to a balance of personal characteristics: the social and emotional characteristics of women balance the hard and rational characteristics of men. Various respondents indicated that such a mix of characteristics is actually essential on the executive board, and they were therefore pleased with mix of women and men on the board at BPF. The third remark with respect to the background of the respondents is that the majority had been educated in economics or law. They emphasized that in the pension world a background in economics was a major advantage when interpreting financial models, which requires substantial expertise. At the same time, various respondents emphasized that this background explains the dominance of utility-oriented and rational thinking. After all, economists and lawyers are accustomed to acting rationally and in a utility-oriented fashion.

When the individual respondents were asked what people in and around the executive board of BPF have in common, the majority of respondents stated that this question was difficult to answer, because this group is very diverse. The director of the Office of the Executive Board described this as follows:

> I find it very difficult to see similarities. The groups are so different. If I look at the Participants Council, then in a manner of speaking I see people who work with their hands, and if I compare that with the investment advisory committee, which includes the chairman of a large government institution [anonymized], then this is almost impossible to compare. I simply cannot put a label on this. However, I do have the idea that everyone is doing their very best for the pension fund. And I really mean everyone (Interview with director of the Executive Office).

When the answers were subsequently probed and the respondents were compelled to make a statement, it emerged that the actors in the executive board of BPF are socially engaged and open. Moreover, the

respondents indicated various additional characterristics: mutual respect and trust between the actors, a willingness to enter into discussion without forcing their opinion –but with good arguments– the desire to be virtuous, an extroverted and critical personality, and that there is room to disagree with each other and to express feelings. Various respondents indicated that this has not always been the case. Several years before, there was a charismatic chairman who often dominated the meetings. According to the respondents, due to the composition of the executive board and the new Chairman and Secretary of the Board, the position of the members of the executive board has become more equal. The stories of the respondents clearly indicated that the composition of the executive board determines how it performs its duties. The member of the IAC described the executive board as follows:

> There are enjoyable discussions, everything is carefully considered, any lack of information is noted and whether we have to break a stalemate. That sticky inertia that we see in many pension funds is scarcely present at BPF. That has to do with 'puppets'. Purely the type of puppets involved. The membership of the executive board can change in many ways, a totally different board can be appointed, the atmosphere can also change (Interview with member of the Investment Advisory Committee).

In summary, this section shows that the actors in and around the executive board of PPF are very diverse, but they have a very similar frame of reference. For example, there are individuals with a frame of reference that is oriented strongly towards their constituency or other organization, and who think in a utility-oriented and result-oriented fashion due to their education and background. The story in the following section shows that the actors see corporate governance as rules and regulations.

4.1.2 Rules, rules and more rules

The stories of corporate governance told by respondents are permeated with rules and regulations. This is not only due to the fact that many actors in and around the executive board have a background in law, but primarily because they see corporate governance as rules and regula-

tions. When asked "What is corporate governance?", the majority of the respondents at BPF referred to rules and regulations. The Pensions Act and the Frijns and Goudswaard parliamentary commissions were mentioned in particular. Another important frame of reference concerns the internal procedures and processes, including charters and regulations. This attention for processes and procedures is reinforced because many former directors and controllers are represented on the Participants Council and the Accountability Body, and these former directors often have a great affinity with procedures and processes (Interview with chairman of the executive board). During the interviews it was striking that the respondents are not only aware of working in a process-based and procedural fashion, but that they also think in terms of processes and procedures. For example, when asked to make a drawing of the authority structure in the organization, the member of the board from the employer organization made a sketch of the decision-making process. In view of the fact that the Pensions Act, the Frijns and Goudswaard parliamentary commissions and the charter and internal regulations are so important within BPF, these aspects will be explained briefly below.

Pensions Act

The Pensions Act went into force on 1 January 2007, replacing the Pensions and Savings Act. The latter had become outdated. The new Act has the same objective as the previous one: safeguarding pension commitments. The difference is that there is more focus on transparency, certainty and transfer of knowledge about pensions (Zweers, 2006). The basic principle of the Pensions Act is that a pension is a condition of employment. The DNB and AFM monitor compliance with the provisions in the Pensions Act. The most important principles of the executive body of a pension fund are the following:

- Half of the executive board must consist of representatives of employers organizations, the other half of representatives of employee organizations. The executive board must serve the interests of all stakeholders: the active participants, the employers the pensioners and the former participants.
- An industry-wide pension fund has a Participants Council, in which the employees and retirees are represented proportionally. The

Participants Council advises the executive board about all important governance issues.
- The executive board must establish an internal supervisory body that periodically evaluates the administrative processes and the governance of the fund.
- The executive board must delegate accountability to an Accountability Body consisting of representatives of all stakeholders, employers, employees and pensioners (Pensions Act, 2007).

In late 2005, the Guidelines for Pension Fund Governance (PFG principles) were established by the project PFG[36]. These principles are: good governance, internal supervision, accountability to stakeholders, expertise of the executive board, management and those who are responsible for internal supervision; openness with regard to decision-making and communication to stakeholders and to society as a whole. Since 2007, these principles have been anchored in the Pensions Act. Each pension fund has a certain freedom to apply the PFG principles to its own situation and characteristics. BPF has chosen to focus on the following principles: accountability and supervision, expertise, openness and transparency and carefulness. BPF will be accountable in the annual report for the choice of the principles.

Frijns and Goudswaard parliamentary commissions
The reports of the Frijns[37] and Goudswaard[38] Parliamentary commissions were both published in January 2010. The Frijns Commission, also known as the Investment Policy and Risk Management Commission, investigated whether pension funds conducted a responsible investment policy in recent years and how they made a trade-off between risk and return. The

36 It included representatives of the social partners and representatives of the VB, Association of Company Pension Funds (OPF) and Association of Insurers and the Coordinating Body Older People Organizations (CSO).
37 The Frijns Commission was named after its chairman, Prof. dr. Frijns, professor of investments at VU University Amsterdam, former director of Portfolio Management and member of the Executive Council of the ABP Pension Fund.
38 The Goudswaard Commission was named after Prof. dr. Goudswaard, professor of Applied Economics at the University of Leiden, professor by special appointment in Social Security at the University of Leiden and Commissioner at DNB.

Commission concluded there were no indications that pension funds had performed poorly in a structural fashion, despite the enormous losses in 2008. However, little attention was paid to risk management policy and the implementation of investment policy. Furthermore, the Frijns Commission indicated that the increasing complexity of financial products requires more and more expertise from executives and that the quality of the administrative process requires special attention (Commissie Beleggingsbeleid en Risicobeleid, 2010). The Goudswaard Commission, also known as the Future-proof Supplementary Pension Schemes Commission, investigated the extent to which the pension system is future-proof with an eye on the aging population, or how it could become future-proof. The Goudswaard Commission concluded that the pension system in the Netherlands, with the existing ambitions and assumed certainty, is insufficiently future-proof due to the aging population, the increasing life expectancy and the increasing vulnerability for financial risks (Commissie Toekomstbestendigheid Aanvullende Pensioenregelingen, 2010). The conclusions and recommendations of both commissions and the evaluation of the Financial Assessment Framework (FTK)[39] confirmed that a better system was needed to ensure structurally sustainable supplementary pensions, also for the younger generation. On 4 June 2010, agreement was reached between the "social partners" (management and labour). The most important elements from this pension agreement were raising the retirement age, increasing state pension benefits, providing more clarity about the risks of pensions, and stabilizing the costs of pensions and pension contributions.

Charter and internal regulations

Two essential topics concerning formal corporate governance at BPF are its charter (2010) and internal regulations (2010). In the charter, it is stated that the aim of BPF is to protect employees and former employees, as well as their surviving dependents, against the financial consequences of old age and death and to protect employees against the financial consequences of long-term occupational disability. BPF endea-

39The Financial Assessment Framework (FTK) is a component of the Pensions Act, which specifies the statutory financial requirements for pension funds. The FTK is based on the principles of market valuation, risk-based financial requirements and transparency.

vours to achieve this aim by collecting premiums from employers, investing and managing the premiums, and using the proceeds of investments to allocate retirement benefits, death benefits and occupational disability benefits. The pension assets are entrusted to the pension fund by the stakeholders in the expectation that it will use the assets in accordance with the mandate. The charter briefly specifies the tasks, responsibilities and competencies of the executive board, the Participants Council, the Supervisory Council, the Accountability Body, the administrator, an advisory actuary, and a certifying actuary. The charter refers to separate internal regulations for the Participants Council, the Supervisory Council and the Accountability Body, specifying the membership, competencies and procedures of these bodies.
In this section, the most important characteristics of the rules and regulations and internal processes are explained; the respondents base their thinking on these frames of reference. The following section focuses on current affairs because the stories about corporate governance have shown that this influences the thinking of the key players.

4.1.3 The pressure of the crises

From the interviews and the document analysis it emerged that a striking number of references were made to the financial crisis, the credit crisis, banking crisis and the crisis of trust and its impact on BPF. Various respondents stated that the negative results of the pension fund affected the image of the executive board of the pension fund. The member of the executive board from the employee organizations expressed this very clearly:

> When the share prices fell, it was no longer self-evident that the pensions were indexed, people suddenly began to use dramatic language: pension fund managers were equated with a gang of thieves (Interview with executive board member from employee organization).

The executive board member from the employee organization explained that both politicians and the public criticized the pension fund managers severely, and the managers experienced this as very difficult. She explained that she was even held to account by a neighbour because she

was on the executive board of a pension fund. From the stories of the respondents, it emerged that they were frequently angry because they thought it was unfair that they were being held to account personally. For example, multiple respondents stated that people in their surroundings called them to account for the 'greed culture' of the executives. According to the respondents, this was unfair because the members of the board at BPF are scarcely paid[40] for their executive activities and that board members from the employer organization in particular invested a great deal of their own time in managing the pension fund. One frequently heard remark from the respondents was that the executive board was portrayed negatively, even though the Supervisory Council and the DNB were also taken by surprise by the financial crisis or did not intervene.

When subsequently asked about the consequences of the financial crisis for the daily practice of management, the executive board member from the employee organization replied as follows:

> The so-called certainty that previously existed had been transformed entirely into uncertainty, at least in the minds of many people (Interview with executive board member from employee organization).

The account manager for Portfolio Management described the consequences of the crisis as follows:

> Of course, the pension funds experienced a crisis during the past two years. In general terms, before this time they all conducted an ALM41 study and were cheerful as a result… For example you have only a 1 percent chance that your coverage [the ratio between assets and liabilities of a pension fund] will be 100. Everyone always thought… Well, a 1 percent chance is negligible, but during the credit crisis, this 1 percent actually happened… And then everyone thought… So it can really happen. And how bad is that? Some

40 The employer organization and trade unions pay their own representatives. For this purpose, the trade unions and the employers organizations receive €380,- per half-day.
41 Asset-liability management.

> funds didn't even manage 100, but only 90. You had only read about this, but never experienced it yourself. Several parties were required to submit a recovery plan. And they were even talking about "afstempelen"[42]. I had read about this only in books… Things must have gotten very bad. This happened. Luckily, we were able to recover somewhat. In the meantime, the regulating authority jumped into the fray. The commission reports were everywhere. The Frijns Commission, the Goudswaard Commission, parameters, you name it… And yes, you are on the board of such a pension fund (Interview with account manager Portfolio Management).

The Secretary of the Board stated that the transactions between the actors in and around the executive board of the pension fund came under pressure. The public wanted to have more control over the pension funds and reached for professionalization. The Pension Administration put pressure on the organization by indicating that it could not deal with the crisis by itself. The DNB exerted pressure by implementing more, and stricter, rules and regulations. Moreover, stakeholders such as pensioners, employees and politicians exerted pressure on the organization to protect their interests (Interview with Secretary of the Board). For the employers it was important to have a better understanding of how their pension premiums were invested. The employers had a great need for information concerning their individual situation, since it became obvious that their pensions were performing badly. According to the respondents, this resulted in more attention from various parties for communication with the stakeholders of BPF. The AFM implemented many more rules and regulations about communication with employees and pensioners, but BPF itself also became much more involved in communication with its stakeholders. For example, with the aid of sounding board groups of employees, pensioners and employers, a new website was created with information about BPF.

42 Afstempelen is pension jargon for reducing or cutting pension benefits and entitlements. Pension funds can take this step if their assets are no longer sufficient to cover all liabilities in the future.

In summary, this section illustrates the logic of the actors in and around the executive board. Although the group of actors in and around the executive board was very diverse, it is evident from the findings that there were similarities between these actors at BPF. The actors base their thinking on the perspective of their constituency or organization. And due to their education in economics or law and their background, they think in a utility-oriented and rational fashion. It is striking that all respondents saw corporate governance as rules and regulations. From the findings is also evident that the actors and around the executive board felt uncertain due to the financial crisis. According to the respondents, the financial crisis also led to pressure on the actors in and around the executive board.

4.2 Presentation of the institutional logic

The aim of this section is to provide insight into the logic of BPF as an organization. How were the respondents expected to act? What were the most important rules to survive at BPF? And which written and unwritten rules were followed by the actors in and around the executive board, and how was this shown? Below, the institutional logic is presented by means of four stories. At the end of this section, the four stories are summarized, and the institutional logic is explained.

4.2.1 The historical values

BPF was founded more than 60 years ago at the request of cao (collective labour agreement) signatories: the employer and employee organizations[43] of a particular industry in the Netherlands. BPF focused on the second pillar[44] of the pension system, which is the supplementary

43 In the Netherlands, pensions are not obligatory. The employers and trade unions themselves can decide whether to offer a pension scheme. However, the government can make a pension scheme obligatory for an entire sector or a professional group if there is sufficient support for this measure. In these cases, employers cannot decide independently whether or not to offer a pension scheme.

44 The Netherlands pension system consists of three pillars: the state pension scheme (AOW), the supplementary collective pensions and the individual pension insurance that people acquire for themselves. Together, these three pillars determine the amount of the pension that a pensioner receives.

collective pensions is funded[45]. BPF is a foundation. As an independent legal entity, it is not part of a company or industry. The specific industry cannot be reported in the present study because the organization wishes to remain anonymous. As indicated by its name, BPF is an industry-wide pension fund and not a company pension fund or occupational pension fund. An industry-wide pension fund belongs to the largest group of pension funds. Three-fourths of employees in the Netherlands belong to an industry-wide pension fund. Industry-wide pension funds are based on two important values: collectivism and solidarity. The title of this chapter refers to these values. By making pensions obligatory, you share the risks. The Secretary of the Board told the story of Dirk Witteveen:

> Dirk Witteveen, former director of the DNB, once gave a presentation using the example of dice. The chance that you will throw a particular number increases in proportion to the number of times you throw the dice. There is more solidarity because you the share risks and the revenues with each other. This solidarity is the strength of the Dutch system.

The interviews revealed that the actors in and around the executive board believe in the collectivism and solidarity of pension funds. The underlying idea here is that the collectivism can reach more than one individual. Based on this value, a pension fund is able and willing to share the risks internally. In addition, the value of solidarity refers to the mutual solidarity between groups of pension payers. During the in-depth interviews, three of the ten respondents emphasized that the values of collectivism and solidarity not only played a major role during the establishment of the pension fund, but were also central to the current discussions. For example, the chair of the Participants Council stated that the discussion about the solidarity principle was cited in the public discussion about whether young people should pay the pensions of the elderly.

45 In a funded pension scheme, pensions are financed by premiums that people have paid in the past, increased by the yield on the corresponding investment.

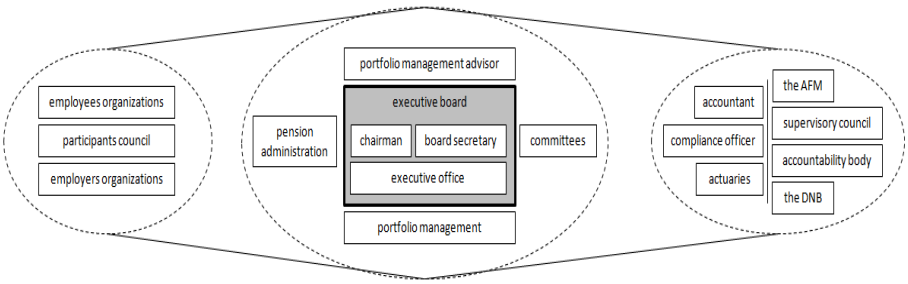
The above narration about BPF clearly shows that it was established at the request of the employer and employee organizations of the industry. BPF it is one of the wealthiest of the largest industry-wide pension funds. The stories revealed that the larger pension funds are at the forefront more often than the smaller pension funds. The large pension funds want to have more freedom and have more of an internal focus, while the smaller pension funds often prefer to keep to the rules and regulations, and have more of an external focus. The respondents linked the size of the pension fund to the attention for processes and procedures. At the larger pension funds, more specialized jobs and procedures are needed. The smaller funds work more pragmatically and focus much more on decisions than on procedures. At BPF, much more emphasis is placed on the procedure than on the decision (Interview with account manager Pension Administration). In addition to the size of the industry and the pension fund, the nature and history of the industry also partly determine the culture of BPF, according to the respondents. Traditionally, the industry is socially engaged and idealistic, and in the recent past has become much more commercial. This can also be seen in and around the culture of the pension fund. Due to the nature of the industry, most people who work at BPF have an affinity with finance. According to the respondents, this could be the reason that the members of the Participants Council spontaneously apply to become members, while pension funds in other industries have difficulty finding members.
Respondents emphasized that BPF was originally based on the values collectivism and solidarity. The following section shows that these original values are still deeply rooted in the organization of the pension fund executive board.

4.2.2 The organizational model

This section concerns organized solidarity. The results revealed that people wanted to design the structure and organization of the pension fund in such a way that solidarity is reflected in the structure of the organization. For example, the executive board and other bodies within BPF consist of representatives of employer and employee organizations. The underlying idea is that by giving membership on the board to representatives to employer and employee organizations, the executive board will consider their interests in a balanced fashion. Figure 4.1

provides a summary of the actors in and around the executive board of BPF. This figure was created by combining information from the interviews, charter, internal regulations and annual reports. In the middle of Figure 4.1, the executive board and the corresponding Executive Office are shown in a dark frame, since the executive board determines the policy of the pension fund and is responsible for monitoring its implementation. According to the charter, the executive board of BPF has the mandate to collect premiums, invest them and ensure that the benefits are paid on time. The executive board of BPF consists of six board members, of which three are appointed by the employers organizations and three by the employee organizations or trade unions. The positions of chairman and board secretary are rotated between representatives of the employers and employee organizations. The Executive Office was established in September 2009 to support and advise the executive board in performing its duties. This Executive Office consists of one individual. An important task of this individual is to prepare the board meetings.

Figure 4.1 Overview of actors in and around the boards of governance at BPF



In Figure 4.1, the board and the Executive Office are surrounded by the external players who advise the board. The committees prepare the executive decisions in order to improve the efficiency of this process. BPF has the following standing committees: the Communications Committee, Regulations and Individual Affairs Committee, Arbitration Committee and Outsourcing Committee. A temporary executive committee, the Pension

Committee, has also been established[46]. Besides committee members from the employers and employee organizations and external experts, all executive committees include two executive board members of BPF. Another committee, which is not an executive committee, but does appear in Figure 4.1, is the IAC. This committee advises the executive board on portfolio management and focuses on strategic investment policy, comprehensive reporting, performance measurement and integrated risk management. The pension administration and portfolio management are outsourced to external organizations. These organizations do not have their own policy in terms of pension regulation. This competency lies entirely with the executive board. Both organizations have account managers at BPF. In addition, there is another portfolio management advisor who provides independent advice in this area. To distinguish between the two external organizations in portfolio management, the first organization is hereinafter called Portfolio Management and the other organization the Portfolio Management Advisor.

In Figure 4.1, the circle on the left depicts the employer and employee organizations and the Participants Council. The circle can be seen as the constituency of the pension fund executive board. The employer and employee organizations elect representatives to the executive board of BPF. The Participants Council represents only the members of the employee organization. The task of the Participants Council is to provide the executive board, on request or on its own initiative, with advice on matters concerning the pension fund. In certain situations, the executive board is even obligated to obtain advice from the Participants Council, for example: ascertaining the financial status of the fund in the annual report, or if the financial situation prompts changes in the current pensions (Pensions Act, 2007). This Council consists of 12 members, and is formed by the members of three trade union organizations and the Pensioners Association of the industry. The executive board appoints a member to the Council for a term of six years. After this term elapses, there is a possibility for reappointment for one more term. The ratio

46 This Pension Committee has the following tasks: preparing measures in case the fund is unable to repair the insufficient coverage or reserve shortage as part of the recovery plan; preparing for the consequences of the Pension Agreement for the fund; answering the questions from the cao signatories (Annual Report, 2010).

between the active participants and pensioners in the Participants Council reflects the total set of participants in the pension fund. The ratio at BPF is approximately 3 active participants to one pensioner (Annual Report BPF, 2010).

The circle on the right of Figure 4.1 depicts the actors who are involved with monitoring the pension fund executive board. To make a distinction between the supporting actors and the supervising actors, a line has been drawn between the two groups. The supporting actors include the actuaries[47], the compliance officer and the accountant. Within the group of supervising actors, a subsequent distinction can be made between internal and external supervision. The internal supervision of BPF is conducted by the Accountability Body and the Supervisory Council. The Accountability Body was established in 2008 and consists of six members, of which two members are from the employee organization, two members from the pensioners and two members from the employer organizations[48]. The Accountability Body has the competency to make a general assessment of the activities of the executive board based on the annual report, the annual account and other information. Based on the provisions in the Pensions Act (2007), the Accountability Body also has the right of inquiry. This means that the Accountability Body can commission independent inquiries into the policy of the fund or the operation of the executive board. The other internal supervisory body, the Supervisory Council, has the task of assessing policy and management procedures, management processes, the checks and balances within the fund, how the fund is managed and how the board deals with long-term risks. The Supervisory Council is entitled to all information it requires to conduct its task efficiently, and is entitled to consult with the executive board about all executive tasks and consult with the accountant and actuary. The Supervisory Council is appointed by the executive board following a public selection procedure. The members comply with the

47 Actuaries give insurance companies and pension funds a declaration of the adequacy of the provision and the financial position of the insurer or pension fund. Within the BPF there are two actuaries: an advisory actuary and a certifying actuary. The advisory actuary is the same person as the director of the Office of the Executive Board.

48 The composition of the Accountability Body is specified in the Pensions Act and must consist of one-third participants, one-third employers and one-third pensioners.

standards of the DSB with respect to expertise and integrity. External supervision, as with the other case in this study, is provided by the DSB and the AFM. The DSB focuses primarily on the financing of the pension obligations and the content of the implementation agreement between the employer and the pension administrator, as well as the pension agreement that describes the relationship between the pension administrator and the employee. The AFM focuses primarily on the communication by the pension administrator with employees who are making pension agreements or have made them in the past.
In summary, this section shows that the original values of collectivism and solidarity are reflected in the governance model of BPF. The various interest groups are represented in nearly all bodies. The underlying idea of this organization model is that the employers and employees in the body must reach agreement about the implementation of the fund. The story also shows that the corresponding rules and regulations (Pensions Act) play an important role because they establish the basic principles of the administrative organization (Section 4.1.2).

4.2.3 The authority of the executive board

This story concerns the authority of the actors in and around the executive board of BPF, and can be told based on a matrix. The respondents were requested to fill in the matrix on which they ranked the authority of actors (with a score of one through twelve) in day-to-day administrative practice. The average authority ranking of actors is shown in Table 4.2.

Table 4.2 Average authority ranking of actors in and around the boards of governance of BPF

No.	**Who has the final word?**
1	Executive board
2	Executive Office
3	Investment Advisory Committee
4	Portfolio Management Advisor
5	DNB
6	Pension Administration

7	Participants Council
8	Supervisory Council
9	Accountability Body
10	AFM
11	The Dutch Association of Industry-wide Pension Funds
12	Portfolio Management

The respondents were allowed to add actors to the matrix if they chose. They added executives of the employee organization, members of the employee organization, actuaries (certifying and advisory), the accountant, the compliance officer, the employee organization and the employers organization. These were not included in
the schematic, because only one or two respondents referred to these actors as someone with authority, and this would have resulted in an inaccurate average picture.

All respondents, with the exception of the account manager of the Pension Administration, agreed that the executive board has the most authority. This account manager indicated that the employers and employee organizations actually shared first place, followed by the executive board. The reason for this was that the employers and employee organizations together determine the cao (collective labour agreement) and therefore determine the implementation framework for the pension fund. Other respondents also referred to the important influence of the cao negotiations between the employers and employee organizations. The respondents emphasized that there is a major difference between the way of working during the cao negotiations and the executive board of the pension fund. The atmosphere during the cao negotiations is more business-like and harder than the atmosphere in the executive board of the pension fund. In the executive board, there is a common interest and a common responsibility, while during cao negotiations you have the task of representing the interests of either employers or employees. The common interest of the executive board is arranged in the formulation of the collective task (Pensions Act Article 102a). As a result, the executive board is required to accept a joint mandate from the employee and employer organizations. The mandate

for the executive board of BPF is to invest properly so that in the future there are enough assets to pay pensions or earn the desired yield.
The respondents indicated that there is a hierarchy on the executive board between the chairman, the board secretary and the other board members. In this context, the board member from the employer organization stated the following:

> I experience the executive board as a whole, but if worst comes to worst, it is the chairman who can make a difference. Indeed, during negotiations I have sometimes had a discussion with someone from the Investment Advisory Committee. We didn't disagree about the final result, but about the method of negotiation. You and I will negotiate differently because we are different people. At that point I said, if we can't solve this ourselves, then we should go to the chairman and ask if he has any ideas. Such a chairman can also use his informal network to exert influence. This is why he chose the role of chairman. In addition, he chairs the board meetings. By leading the meetings in a certain way, he can direct and influence the outcome. But by and large, the board is a really a whole. The vote of the chairman does not count more than that of the other members. I would also say exactly the same if the chairman was from the employee organization (Interview with executive board member representing employer organizations).

The other board members stated clearly that the entire board decides, but the chairman and board secretary have more influence than the other board members. Occasionally, at both BPF it was revealed that a role is played by the preference of actors in and around the boards of governance to continue with the duties in their portfolios or to place their own favourite projects on the agenda. All respondents, except for the account manager Portfolio Management, ranked the Director of the Executive Office second in terms of authority. The Director of the Executive Office supports and advises the executive board and makes preparations for the executive board meetings (Section 4.2.2). Before the above Director was appointed, the account manager for the Pension Administration was responsible for preparing the agenda for the board

meetings. As a result, the account manager of the Pension Administration noted that he had less autonomy:

> Until recently I was the one who could determine whether a topic was ready to be put on the board agenda. Sometimes I thought, I don't have this ready, so we will not discuss it just yet. I had much more autonomy to decide about the strengths and weaknesses of the Pension Administration, but now this aspect is taken much less into account. If there is something that I don't want to have on the agenda, then I must have very good reason… it is not ready, it is too soon or I see things that should be done otherwise. Previously, I could make such decisions by myself, but now I have to justify things much more often, and I am much more involved with coordination and consultation on these topics. This requires much more time (Interview account manager Portfolio Management).

The Director of the Executive Office previously worked at the Pension Administration as supervisor of the current account manager of BPF. He had many years of experience in the world of pension funds, and for this reason was also approached by the executive board for his current position. According to the respondents he is ranked second in authority because he works full-time, is close to the executive board, has a great deal of knowledge and experience, and much of the communication to and from the board goes through him. The members of the executive board, as well as the chair of the Supervisory Council, were very pleased with the appointment of the Director of the Executive Office. Moreover, the chairman of the Supervisory Council noted that this appointment could also be dangerous: If something happens to him, we will have an enormous gap. *I have warned about this previously: our strength can immediately become a weakness (Interview Chairman of the Supervisory Council).* The Director of the Executive Office himself stated that he does not have much authority but that he does have a great deal of influence.
The IAC and the Portfolio Management Advisor held the third and fourth places, respectively, in the ranking of actors with the most authority. This is due to their specialized knowledge and experience in investments and in the administrative organization. Respondents indicated that the knowledge of the executive board members regarding investments is

limited; this is why they engage external experts and why these experts have a great deal of influence on the board.
The DNB was ranked as fifth in terms of authority. Notably, the opinions of the respondents were most divided about this particular actor. Roughly speaking, two groups can be distinguished. The first group views the DNB as a body that establishes the framework and controls the pension fund from the side-lines. The chairman of the Participants Council said the following about this:

> The influence of the DNB is strictly literal. When the DNB says that you must do something, we cannot refuse. When BPF keeps to the rules, then the DNB can't say anything, but if we break the rules, then they indeed have something to say. Does a police officer have power over me? No, but if I am in public and break the law, and then they do have power (Interview Chair of the Participants Council).

The second group sees the DNB as a body that establishes the rules for the pension fund, and the pension fund then just follows the rules. The first group generally attributes less authority to the DNB than the second group.
The Pension Administration is responsible for the implementation of the pension fund. The Pension Administration and Portfolio Management were seen by various board members as large, cumbersome organizations that handle large sums of money and in which BPF is only a minor player. The board members reported having the feeling that they have little influence with the Pension Administration and Portfolio Management. There were both negative and positive about the Pension Administration and Portfolio Management. The chairman of the executive board characterized the relationship with the Pension Administration as a love-hate relationship:

> The Pension Administration submits its documents for the board meeting much too late; figures that arrive only three days before the meeting turn out to be wrong. That is so weak, it really shouldn't be tolerated. But some of the things they do are terrific. Then you're happy that you are working with the Pension

> Administration, so for me it is a real love-hate relationship (Interview with chairman of the executive board).

In Table 4.2, the Participants Council is ranked seventh in terms of authority. The respondents were unanimous about the ranking. The Supervisory Council, the Accountability Body and the AFM were ranked on average eighth, ninth and tenth, respectively. Notably, there was still a substantial difference in the averages. Although all three bodies have a supervisory role, it emerged that the Supervisory Council, according to the respondents, has more authority than the Accountability Body and the AFM. The respondents indicated that this also has to do with the status of the body and the individuals. According to the respondents of BPF the groups with the least authority are the VB[49] and the Portfolio Management. Notably, the account manager of Portfolio Management has contact with many people, but according to the other respondents he is not seen as someone with much authority or influence. She also stated that her own influence is limited.

> I have influence in the way I explain things and the relationships I have developed, but I should not overestimate this influence (Interview account manager Portfolio Management).

This story shows that the executive board is the body that makes the final decision and all respondents are aware of this fact. How the executive board does this emerges from the following story. This story primarily addresses the interaction patterns between actors in and around the executive board and focuses more closely on the methods of governance at BPF.

4.2.4 The governance method

This story concerns the interaction patterns of the actors in and around the executive board. To acquire insight into these patterns, the respon-

49 The VB protects the interests of 70 industry-wide pension funds. These pension funds consist of more than 5 million participants, more than 2 million pensioners and nearly 8 million former participants (Annual Report the VB, 2009).

dents of BPF were asked about the amount of contact between the key players. These results are shown in Figure 4.2. This revealed a network consisting of the average number of contact hours between players in and around the executive board of BPF. Four comments can be made regarding Figure 4.2. First, the choice was made to quantify the contact times in terms of the average number of contact hours per month. This provides a good picture of the amount of time that they spend together, but does not indicate the frequency of contact. For example, Figure 4.2 does not indicate that the Supervisory Council and Participants Council meet only once per month, and that outside these meetings these groups have almost no mutual contact. Moreover, the certifying actuary and the compliance officer have contact with the Supervisory Council and the Accountability Body only once per year. The second remark is that the accountant, compliance officer and the two actuaries are not included in Figure 4.2. This is because various respondents, including the members of the executive board and the chair of the Participants Council, did not consider these players to be actors in and around the executive board; instead they viewed them as functionaries who support the supervisory process. As a result, not all respondents described the contact hours per month of the four functionaries. The chairman of the Supervisory Council was the only respondent who indicated that he has contact with the four functionaries once per year[50]. One key player who was added by all respondents is the VB. Notably, the Pension Federation[51] was not named by the respondents as a key player in and around the executive board of the pension fund. The third remark is that various key players encountered each other at various locations and consequently had multiple interaction moments with each other. This is because the executive board and the Participants Council include members of the employers and employee organizations who not only encounter each other at BPF, but also as part of other activities of the aforementioned

50 The advisory actuary was named more frequently, but in his function as Director of the Office of the Executive Board.

51 The Pensions Federation consists of the VB, the OPF and the Union of Occupational Pension Funds (UvB). The mission of the Pensions Federation is to provide optimal protection of the interests of pension funds in the Netherlands and to promote the development of the pension system.

organizations. For example, the chairman of the Participants Council meets with the chief executive of his employee organization not only during the meetings of the executive board, but also during other activities of the employee organization such as the national evaluation day, during which members of executive boards, accountability bodies and participants councils of pension funds meet to evaluate and discuss the future of pension funds. On these occasions, they talk informally about BPF and inform each other about their current activities. These types of encounters were not included in Figure 4.2 because they are often informal or coincidental.

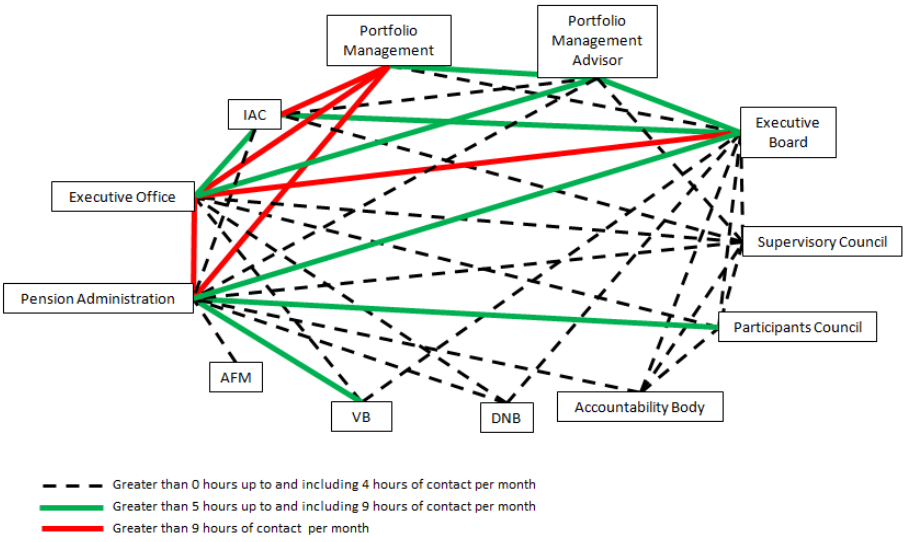


Figure 4.2 The number of contact hours per month in the corporate governance network of BPF

The findings indicate that the executive board engages external experts as needed in particular situations or for specialized topics. During this process, the executive board makes use of the roles of the actors. For example, if the board requires advice about investments, then it engages the internal Investment Advisory Committee or the Portfolio Management Advisor. If it wants to know more about implementation, it engages the Portfolio Management organization. And sometimes a combination of all parties is possible. By means of examples, the respondents also showed that they are expected to play these roles. For

instance, high-quality performance is expected from the pension administration. If that doesn't happen, then the account manager is held accountable (Interview with account manager of the Pension Administration). Regarding this story, it should be noted that not only the external parties, but also the executive board itself, are required to play the role that is expected of them. For example, the executive board is expected to perceive and consider the interests of the various parties. It is expected to carefully weigh conflicting interests, such as those of employers, employees and pensioners, and make an appropriate decision.

Figure 4.2 also shows that these three worlds of executive and advisory parties are separate from each other, with the exception of the Executive Office and the IAC, because they have a more central position due to their task and function. The BAC has this position because it provides internal advice to the executive board about investments and therefore has relatively more contact with the implementing organizations.

The Executive Office, according to the respondents, is an important intermediary for the executive board. Nearly all information is communicated via the Executive Office to the executive board and back again. This is also why the Executive Office has such a dominant position in Figure 4.2. The Portfolio Management account manager described this communication patterns as follows:

> Recently there was a question from the Supervisory Council. And then it goes to the executive board, and then to the office of the executive board, and then comes back to me. And I answer the question and then it goes via the Executive Office and through the executive board all the way back to the Supervisory Council (Interview with account manager Portfolio Management).

According to the respondents, the position of the Executive Office was carefully considered. There was a suggestion from the DNB to establish this Executive Office because the pension administration had gained too much informal power.

In summary, the four stories above show that a number of aspects predominate: the historical values of collectivism and solidarity, compliance with these values and the organizational model of BPF, the authority of the executive board and the governance method. When the key aspects of these stories are combined, this can be transposed into rules that are maintained by the actors in and around the executive board. Based on the four stories, the following rules of thumb –which can be found in the stories– can be formulated: 1) You must be faithful to your constituency, 2) the executive board makes the final decision, and 3) you must play the formal role that you are expected to play. These rules can also be described as the institutional logic. This institutional logic –or these rules– determine how the game is played. First, the rules affect the power of the various actors to influence the decision-making process. The employee organization and the employer organization (the constituency) can exercise power via the executive board, but the board makes the final decision. Second, the rules determine the nature and style of the decision-making process; at BPF, the executive board determines the nature and style of this process. Third, the rules determine the substantive preferences of actors. The executives of an employee organization always have a preference for employees, while executives of an employer organization have a preference for the employer.

4.3 Presentation of the logic of practice

The stories presented below concern the actions of the actors in and around the executive board of BPF, specifically how these actors cope with corporate governance. These stories have the following titles: dual roles, decorating the Christmas tree, the board meeting: a play, love-hate relationship with the DNB, corporate social responsibility or big profits?

4.3.1 Dual roles

An overarching theme that regularly returned in the interviews with the respondents at BPF is dealing with dual roles. Considering that representatives on the executive board originate from employee and employer organizations, the actors in and around the executive board have dual roles and responsibilities. The members of the board want to be perceived as representing the interests of the participants and other

stakeholders of the pension fund in a balanced fashion. They not only bear the responsibility of their own constituency, but are also responsible for fulfilling the collective mandate. According to the respondents, the conflicting interests of players and employees are necessary to achieve a balance between the interests (Interview with chairman of Participants Council). To illustrate how the members of the board deal with these dual roles, the process of preparing the board meeting agenda is presented (Interview with board member from employers organization, interview with board member from employee organization, and interview with chairman of BPF). The board member considers the agenda and documents for the meeting and forecasts what the constituency will think about this. In most cases, the board member can make an independent assessment of the position of the constituency. He is active in the field and therefore frequently hears opinions and ideas from constituency and often knows from experience what position the constituency will take on the matter. If he is in doubt about the position of the constituency, and the issue is sufficiently important, then he will seek counsel with the constituency or with the other executives of the employers organizations or employee organization. Depending on what the constituency wants and how hard it wants to play, the board member determines how firm he will make his demands during the meeting.

In nearly all cases, the tensions are not severe and the board member and the constituency both understand that concessions will have to be made. However, if the interests are crucial, then it is theoretically possible that the board member would be dismissed as a representative or that the constituency of employees would go on strike. This has never happened in practice at BPF because the most important agreements have already been made during the cao negotiations, and the executive board of the pension only has to deal with the implementation of the pension fund agreement. But this has happened in the past during the cao negotiations. All other board members also indicated that they never had problems with the dual role. According to the respondents, this is because the executive board believes that the collective mandate is important. The Secretary of the Board explained this as follows:

> For that matter, I do not see the executive board in parts, but as a whole. I am not someone from the employers organization, I am one of the board members. We all have a collective mandate (Interview with Secretary of the Board).

The chairman of the executive board provided an example from practice which shows that the board members of BPF act on the basis of mutual interest. He explained that in 2008, the pensions had to be indexed according to policy[52]. The coverage ratio at that time was just over 100; during the December board meeting it was 100.6. The chairman reported how the discussion lasted only five minutes, and then a collective decision was made to not index the pensions. When asked how BPF could make this type of decision so quickly, the chairman said he thought it was because the board members are reasonably well acquainted with each other, have regular contact and consult before the meeting about the interests they should consider regarding the situation or problem. Consequently, explained the chairman, they base their reasoning on the organizational interests of the pension fund, and consider the other interests from this perspective.

Besides the executive board members, other actors in and around the executive board also have to deal with dual roles. The account manager of the Pension Administration explained that the organization for which he works, i.e. the Pension Administration, bases its services on a customer satisfaction level of 7 or 7.5, but the director of the Executive Office requires 9 or 10. The account manager of the Pension Administration has to strike a balance between the demands of these two organizations. On the one hand, he wants to exert pressure on the Pension Administration so that customers are satisfied, but on the other hand he sometimes has to restrain customers because the constituency of the Pension Administration cannot provide the requested quality or quantity. The chairman of the Supervisory Council stated that the board

52 Indexing means increasing the pension benefits in proportion to inflation or wage increases. Through indexing, purchasing power is maintained. A pension fund decides each year whether indexation is possible. The Pensions Act states that a pension fund in principle should always have a minimum coverage ratio of 105%. If the fund falls below this level, the law stipulates that it has three years to get back to 105%.

and Supervisory Council seek the best interpretation of the role of the Supervisory Council within BPF. On the one hand, the Supervisory Council must distance itself from the executive board in order to remain independent and objective, but on the other hand it must remain sufficiently informed and be able to intervene promptly if something goes wrong. This area of tension results in careful assessments and discussions within the Supervisory Council (Interview with chairman of the Supervisory Council).

In this story it can be seen that the actors in and around the executive board struggle with their dual roles (i.e. their tasks and responsibilities). They not only have to be faithful to their constituency, but also to the collective mandate. The stories have shown that this usually goes well, but that this is also an area of tension in practice. Moreover, this tension does not occur frequently, but is expressed in certain situations in which important issues are at stake, such as the above-mentioned decision about indexation. A totally different theme is illustrated in the following narration. In this narration, the actors in and around the boards of governance asked the question of whether it is indeed necessary to build a management model with all kinds of representatives.

4.3.2 Resistance against the organizational model

It is notable that many respondents from the industry-wide pension fund refer to "decorating a Christmas tree" when they speak about corporate governance. This metaphor is used to indicate that they doubt the efficiency and utility of establishing various bodies surrounding the executive board. Several examples from practice are given by various respondents below. Although the following respondent was not employed at BPF, but at a different pension fund, this quotation does show how the story of decorating the Christmas tree makes sense in practice.

> If something in the charter must be amended, then I consult with the legal expert, who implements the change and amends the charter. The following day it goes to a member of the executive board, who approves it, and then it takes six months before everyone has seen it and commented on it. After all this time and effort, not a single letter of the proposed amendment has been

> altered. I wonder whether the result would have been the same without all these groups? This process is rather cumbersome. Without decorating the whole Christmas tree with 72 people, who are all involved with employers councils and governance, I think it could have been done much more efficiently with the same result. Moreover, all these groups do not lead to a more transparent decision-making process (context interview with the head of executive affairs of a pension fund).

Other respondents stated that although they are proud of the balanced representation of the interests of employers and employees on the executive board, there is also an ongoing discussion about the decision-making process. This discussion concerns a professional executive board. This means that the executive board would no longer be nominated from the constituency, but that people with executive experience and expertise could apply for a position on the board. The chairman of the executive board sketched an ideal picture of a professional executive board with employee and employer organizations acting as a type of supervisory council with right of approval for strategically important matters. He indicated that there is still a lot of reluctance to discuss a professional executive board, but he expects that the discussion will ultimately move in this direction because the board members need to have more and more expertise about financial models and mathematics. This professional model could potentially be much more efficient. The opponents to professionalizing the executive board are primarily on the side of the trade unions. According to the board members from the employers organizations, this is logical because the opponents include union executives for whom the executive board comprises their daily work. According to various respondents, the policy of the employee organization does not include professionalization, but will probably move in that direction in the future.

Another discussion that emerged from the interviews concerns whether or not to merge the Participants Council and the Accountability Body; several actors in and around the executive board believe this would be much more efficient. The chairman of the executive board said the following about this topic:

> Some time ago, there was a discussion about such a merger (referring to the merger between the Participants Council and the Accountability Body). But at that time it was said that we should say something to the Participants Counsel beforehand and to the Accountability Body afterwards; hence the participants have to review themselves during the merger. But you are actually rigging a circus. I believe that all the participants should be accountable. I would like to use the Accountability Body much more as a type of panel, more as a customer panel both beforehand and afterwards What you now see is that an Accountability Body tends to review the policy… but we have a Supervisory Council for that (Interview with chairman of the executive board).

The chairman of the Participants Council said that he experiences this discussion as difficult because he not only understands that there are many similarities between both bodies, but also that they have a different function (Interview with Chairman of Participants Council). This example shows very clearly that the actors in and around the executive board are struggling with efficiency and utility-oriented thinking in terms of the roles and expectations of actors.

Another example of 'rigging a circus' was given by the account manager Pension Administration and several executive board members from employee organizations. Not long ago, a new body was established at BPF: the Supervisory Council. Before the Supervisory Counsel was appointed, a discussion took place about implementing the internal supervision of BPF. This discussion focused on the question of whether the internal supervision would consist of a Supervisory Council or an external review committee. A Supervisor Council was chosen, because such a body is generally perceived as providing stricter supervision than an external review committee (Interview with account manager Pension Administration and interview with the chairman of the executive board). According to the respondents, BPF wants to have the strictest form of supervision because it is an ambitious organization. Another reason for choosing the Supervisory Council is that this body would be internal, while a review committee is external. Members of the executive board from the employer organization stated that they see this as an advantage because then they can build for the longer term. The respondents were

also critical about the chosen form. Especially the members of the executive board from the employee organization stated that they often have better experiences with an external review committee because it is more reflective. The account manager for Pension Administration wondered whether the Supervisory Council was indeed a good model for a foundation. According to this respondent, the chosen model is not compatible because the pension fund executive board is only involved with the pension fund for one half-day per week, and this model is not compatible with such a relatively small pension fund. Later in his narration, he stated that he actually believes that there should not be any formal supervision at all for the pension fund executive board; the supervision should focus on the pension administration itself. He explained that a pension fund was traditionally only a pension administration with the aim of collecting premiums, investing money and ensuring that the benefits were paid on time. He believes that the supervision has now gotten completely out of hand, and that an additional layer of governance and stakeholders has been added which is totally unnecessary. But at the same time, he indicated that it is difficult to change this situation, because this would be totally out of step with the current rules and regulations.

The above examples show that in the interviews the respondents refer to the tension between utility and efficiency on one side and institutional thinking on the other. In the stories, a discrepancy becomes apparent between how actors in and around the executive board think and how their ideas are implemented by the organization.

The next subsection is about a different discrepancy: the discrepancy between the formal and informal worlds. This is done by presenting a story about the executive board meeting.

4.3.3 Dealing with the formal organization

To provide insight into the executive board meeting, the process of organizing the meeting is described below. In preparation for the executive board meeting, a consultation takes place between the chairman, the board secretary and the director of the Executive Office. During this informal consultation, the topics for the agenda of the board meeting are identified and given a prior review. The initiative for collecting the points

on the agenda is taken largely by the director of the Executive Office. He explained this as follows:

> Last year we made a proposal for FIRM, the risk policy. However, I believe the risk policy should be put on the agenda as such….that we should do something about this, then I will give it a prior review … do you think it is a good time to discuss this during the executive board meeting? (Interview with director of the Executive Office).

The chairman of the executive board described the relationship between himself, the Secretary of the Board and the director of the Executive Office as collegial, professional, open and direct, where professional means that not too much emotion is involved. They look at which rules must be followed and whether certain decisions entail risks. The three men consult together about which points on the agenda would be discussed at the next executive board meeting. After this, the preparation of the documents for the meeting begins. Some information and recommendations must be obtained, for which the director contacts other parties, such as the account managers for Pension Administration and Portfolio Management. Once all documents have been collected, they are distributed to the invitees for the board meeting. According to the respondents, these documents often consist of enormous bundles of paper and may require several days to read. When topics that require coordination with the constituency are involved, they contact their constituency for advice; occasionally they also contact a colleague at the employee organization as well. However, this does not happen frequently (Section 4.3.1).

The executive board meetings are held five or six times per year, and last an entire day. First there is pre-consultation with the executive board, the director of the Executive Office, the chairman of the IAC and the Portfolio Management advisor. This is followed by the executive board meeting itself and then a brief discussion about the early retirement (VUT) fund. During the pre-consultation they discuss the financial summaries and which items they want to discuss in greater depth with the Pension Administration and Portfolio Management. After this, the account manager for Pension Administration and account manager for Portfolio Management join the group and the official board meeting

begins. Depending on the topic, experts attend the meeting on request. The executive board meetings are often very lengthy, according to the respondents. This is because they spend a relatively large amount of time on individual cases, and because of the complex nature of topics such as investments and reporting. The account manager Portfolio Management described the executive board meeting as follows:

> I remember the first few times I attended a meeting and thought: What a circus... I was unfamiliar with this type of meeting… The executive board meeting is almost a formal event. It sounds somewhat disrespectful, but it also involves a bit of acting about how we going to perform the executive board meeting. It has characteristics of a ritual (Interview with account manager for Portfolio Management).

In this quotation, the respondent outlines the course of affairs during a formal executive board meeting. Later in the interview, the account manager for Portfolio Management explains that she gradually learned that there is a pre-consultation.
From the other in-depth interviews, it indeed emerged that during the pre-consultation agreements are made about which topics will be addressed and who is going to ask questions to both account managers. A similar picture was presented by other respondents and in the exploratory interviews with experiential experts from other pension funds. Before the meeting begins, it is often clear what the decisions are going to be. According to the respondents, there is a lot of room before the formal meeting in which people can discuss and coordinate various matters. In this context, a number of respondents referred to a game in which there was room to manoeuvre. This room is used primarily to reach agreement and to influence each other. The employees and employers representatives often consult with each other during informal meetings that precede the board meeting, and they phone each other. Besides executive board members, other interest groups also know about this informal world and try to exert their influence here as well. For example, the chairman of the Participants Council said the following:

> An association of retirees has been established, with many directors from the pension world. Yes, these are bureaucrats, they understand the rules of the game and they know how the game is played. They are also tactically smart and have expertise. And they know how to get inside…in all possible ways…via the constituency, via mailings, in all possible ways.

The above narration shows that there is extensive room behind the formal world which is used by actors in and around the executive board of BPF to coordinate matters and to influence each other. In the subsequent story, it becomes apparent that there is also room of a totally different type: dealing with rules and regulations.

4.3.4 The relationship with the DNB

Eight of the ten respondents indicated that the rules and regulations have increased substantially, not only at the DNB but also at the AFM. The executive board of BPF is fully engaged in complying with the frameworks prescribed by the DNB and AFM. For example, BPF has chosen to focus on the following PFG principles: accountability and supervision, expertise, openness and transparency, and due diligence. In the annual report, they linked each of these key points to their pension fund. The following extract from the annual report shows how the general term 'expertise' is linked to their own organization.

> To oversee the entirety of risks and deal professionally with them, the expertise of the executive board of the pension fund is crucial. Moreover, recent developments have resulted in a demand for even more expertise on the part of pension funds. We therefore believe it is exceedingly important that the expertise of all board members is continuously maintained and improved. To achieve this, we have adopted an expertise plan, among other measures. The expertise plan describes the requirements that every member of the executive board will have to meet within one year after his or her appointment, and the joint expertise that will be required of the Executive board as a whole.

The annual report also paid attention to the expertise of the Participants Council and the Accountability Body. Although the Pensions Act does not specify requirements for the expertise level of the members of these bodies, the annual report stated that the members believe this is important. This is because they are fully fledged counterparts of the executive board and must therefore comply with comparable expertise requirements. To this end, they took part in a course (Annual Report BPF, 2010). The annual report also linked the other relevant themes of Pension Fund Governance to BPF.
Nearly all respondents stated that they understand that rules and regulations are important, certainly in view of the events in the recent past, but at the same time there are conflicts in the implementation of rules and regulations. The chairman of the executive board explained this as follows:

> And I understand DNB's position very well. A great deal has happened. Before you know it, the accusations will be flying back and forth, certainly if you look at Scheringa[53] and so forth. But if you look at what is different, then you still need that room because we have more to explain to our participants than to the DNB (Interview Chairman BPF).

Rules and regulations are important, but the responsibility with respect to the participants has a higher priority. According to the respondents at BPF, this also has to do with the continuous pressure on the pension fund board. According to the members of the board, they now spend much more time on the executive management of the pension fund than was assumed beforehand, and much of this on their own time. Furthermore, the reporting that is required by the current rules and regulations is very time-consuming. The latter is also difficult because the value of the reporting is not always appreciated. The process of preparing for the

53 Scheringa was the owner of DSB Bank, which went bankruption in the early years of the crisis. Scheringa accused and four executive members of violating the code of secrecy. Scheringa alleged that the so-called second bankrun at DSB Bank was caused by the DNB who "intentionally and actively" informed third parties about emergency funds that DSB Bank had asked for.

reporting is also seen as something important, but the reporting itself is not; the respondents stated that this requires additional time, but this time is not productive.

Notably, nearly all respondents were both positive and negative about the method of supervision of the DNB and AFM. The positive story is that productive discussions are often held with the DNB. One example is the discussion about the professional governance model, which was thoroughly discussed over several years with the DNB. The negative stories range from criticism of the officers at the DNB, to the role and methods of the DNB. Various respondents wondered why the president of the DNB still holds his position, even though it was clear that he and Minister Bos (former minister of finance) should have intervened to prevent the crisis.

> In fact, the entire society believes that Wellink [the president of the DNB] should be dismissed, but he still holds this position and is imposing rules on executive boards. How is this possible? I think it is because the Dutch business culture does not recognize that a supervisory authority can fail and that we do not have a mechanism in place, certainly from the constituency on the left, which calls for more regulation, and more centralization, but I don't think this is going to work (Interview with executive board member representing employers organizations).

The criticism of the respondents regarding the role and methods of the DNB has a common denominator: The DNB has little regard for deviation from the frameworks. According to the respondents, everything must fit into boxes and frameworks, and it is difficult to discuss this. The chairman of the executive board used the following example to illustrate how this works in practice. The executive board of BPF was required by the DNB to write a recovery plan. A contingency plan was also requested in case the recovery did not proceed as expected. The executive board did not provide a contingency plan, and then the DNB accused them of being afraid to communicate about reducing pension benefits. The chairman explained that this accusation was not valid because the website does communicate about this possibility. He indicated that the executive board did not want to provide a contingency plan out of

principle because they were confident that the recovery plan would work. However, the DNB did not want to approve the recovery plan without a contingency plan because other funds could potentially assume that they were allowed to deviate from the frameworks. The respondents emphasized that it is important for the DNB to keep to the frameworks because this is how the state bank covers itself. As the account manager for Pension Administration explained:

> If there is a parliamentary inquiry, then the DNB cannot be accused of anything, because it has done everything perfectly. This is useless for a pension fund, but okay, the DNB has done everything correctly (Interview with account manager for Pension Administration).

In summary, this story reveals tensions not only with respect to the rules and regulations, but also with respect to the bodies that monitor their implementation, especially the DNB. The tensions are primarily found in the grey areas of rules and regulations. Which decisions does the executive board make, and can they justify these decisions to their constituency? With respect to the methods of the DNB, it is clear that actors in and around the executive board experience the interaction both positively and negatively. The negativity primarily concerns the compartmentalized thinking of the DNB. In the following story, another area of tension emerges: that between social responsibility and profit.

4.3.5 Dealing with social issues

In the Netherlands, pension funds invest in all kinds of businesses, including arms manufacturers that produce cluster bombs and landmines. They also invest in companies that cause serious environmental harm and in products that are made with child labour. This was shown in an investigation conducted by the television programme ZEMBLA, in the episode titled 'The cluster bomb feeling'. ZEMBLA investigated aspects such as the financial flows of the pension funds ABP, PGGM and the Spoorwegpensioenfonds (Pensionfund for railway workers) who make these controversial investments.

"Cluster munitions are reprehensible weaponry but we have no guidelines for ourselves that forbid us to invest in them," explained Director R. Munsters of the ABP. Despite the international landmine treaty, the ABP also invests in landmine manufacturers. But that is not an impediment, according to Munsters: "Our strategy is to earn a good yield, and the businesses that operate in the weapon industry sometimes offer an attractive return."

The PGGM also confirmed that they invest in manufacturers of cluster bombs as well as landmines, despite an appeal from the European Parliament to no longer make such investments. "We are now discussing this and I think it is quite possible that we will come to the conclusion that we should not do it," explained H. Alders, chairman of the executive board of PGGM.

The pension funds also invest in companies that cause severe environmental harm, such as Freeport McMoran, one of the largest copper mines in the world. Investments in this company were previously the subject of debate. In response to criticism, in 1999 ABN/AMRO withdrew its holdings in Freeport McMoran. However, the ZEMBLA investigation showed that ABP, PGGM and the pension funds of the railways, public transport, Shell and DSM are still investing in this company. Confronted with the facts, Munsters of the ABP did not exclude the possibility of the fund withdrawing its holdings in companies such as Freeport "if businesses blatantly violate a number of conventions".

Finally, ZEMBLA reported investments in companies that exploit child labour, such as the American company Walmart. ABP stated that child labour is reprehensible, but it admitted holding shares in Walmart (like the pension funds for the railway, public transport, Shell and DSM). The pension fund for the healthcare industry, PGGM, also invested in the English supermarket chain Tesco, which purchases clothing from a factory that uses child labour.

The pension funds in the Netherlands manage assets totalling €671 billion. ZEMBLA conducted research into seven large pension funds, selected from the more than 600 pension funds operating in the Netherlands. Approximately 90% of employees in the Netherlands are mandatory participants in a pension fund. Every month,

they pay hundreds of euros without having any insight into how the pension funds invest this money (Television programme *Zembla*, 17 March 2007) http://zembla.vara.nl/seizoenen/2007/afleveringen/18-03-2007).

Pension funds are getting ample attention in the media. The media coverage mentioned above took place during the period in which this study was conducted. Not only broadcasts such as Zembla, but also other television programmes (Pauw & Witteman, 19 March 2007, Buitenhof 13 May 2007) and newspaper articles (De Volkskrant, 19 March 2007; NRC, 19 March 2007; Het Financieele Dagblad, 20 March 2007) focused on the topic of unethical investments, but there was also intense interest in other topics such as bonuses and salaries of top managers. Remarkably, during the Zembla broadcasts and afterwards, the attention was focused primarily on profits from pension funds, but the awareness of the impropriety of investing in cluster bombs was hardly reflected in the response of the pension funds. Within the pension fund industry, attention was also paid to this topic. A seminar on "Investing in society" was held on 21 June 2007. Organized by ABP, pension funds and other stakeholders and interested parties were invited to discuss this issue. Both during the seminar and afterwards, the statements of Munsters (Director the ABP) resulted in much internal and external criticism. The opinion of society at large became clear. People no longer found it acceptable to invest in cluster bombs, but at the same time they also did not want to reduce pension benefits as a result of losing the enormous profits. In other words, there was tension between corporate social responsibility and higher pension benefits. Did the participants want to sacrifice benefits in return for ethical investments, and if so, how much?

This discussion about investing in cluster bombs also took place at BPF (and Florabank as well). The members of the executive board were questioned about this by the internal supervision bodies, the external supervising authorities, shareholders (Florabank), the Participants Council (BPF) and customers. The investment policies of BPF and Florabank were once again scrutinized to determine whether specific aspects should be changed. It should be noted that various respondents understood that the smaller banks and pension funds look at the actions taken by larger banks and pension funds. The interview shows that these smaller funds imitate the larger ones. In March 2007, following the

Zembla broadcast, the largest pension funds in the Netherlands, ABP[54] and PGGM[55], decided to stop investing in cluster bombs (NRC, 12 April 2007). It should be noted that on 1 January 2013 a law went into force[56] prohibiting investments in companies that are involved in the production of cluster munitions. This law prohibited direct investments in companies involved in the production of cluster munitions, as well as in indexes with more than 5% of such businesses.

The above narration shows that the media played a major role in the societal debate on unethical investments. The Zembla broadcast resulted in a societal debate on cluster bombs; as a result the tension between corporate social responsibility and profits was clarified. Moreover, this story shows that the dominant social beliefs and actions of the larger pension funds influence the actions of the actors in and around the executive board of BPF. In the section below, the other tensions of the logic of practice are summarized.

4.4 Synthesis

This chapter presents the findings on BPF case study. The findings are presented on the basis of three types of logic: the logic of the actor, of the institute and of the practice.
In Section 4.1 the logic of the key players or the actors is addressed. Although the actors in and around the executive board of BPF are very diverse, it is evident from the findings that there are also similarities

54 ABP stands for Algemeen Burgerlijk Pensioenfonds. It is the largest pension fund in the Netherlands. All civil servants –and the pensioners– are members of this fund.
55 PGGM is a Dutch pension administration organization. On 1 January 2008, PGGM became an independent administration organization separate from the Pensioenfonds Zorg en Welzijn (PFZW), to which it previously belonged (and until that time also bore the name PGGM). PGGM is still the pension administrator for PFZW. The decision to separate the pension fund and the pension administrator resulted from a change in the law that prohibited a pension fund from selling individual insurance products to its members. Furthermore, it is now possible for PGGM to administer pensions for other funds. PGGM is a cooperative that employers and employees in the healthcare and welfare sector can join. The abbreviation PGGM no longer has a specific meaning. Before the separation, this abbreviation stood for Pensioenfonds voor Gezondheidszorg, Geestelijke en Maatschappelijke belangen.
56 The new regulations are contained in the Amending Act Financial Markets 2013 (see besluit, artikel III).

between these actors. The actors are representatives of their constituency organization, and therefore base their thinking on this perspective. And due to their education in economics or law and their background, they think in a utility-oriented and rational fashion. It is striking that all respondents see corporate governance as rules and regulations. The legal frameworks are therefore important for the actors. From the findings it is also evident that the actors and around the executive board felt uncertain due to the financial crisis. According to the respondents, the financial crisis also led to pressure on the actors in and around the executive board.

Section 4.2 focuses on the logic of the institute. Based on the stories about the initial values, the organizational model, the authority and the management methods, it is clear which written and unwritten rules are important in the organization. Based on the three stories, the following rules of thumb –which can be found in the stories– can be formulated: You must be faithful to your constituency, the executive board makes the final decision, and you must play the formal role that you are expected to play. These rules can also be described as the institutional logic.

Section 4.3 shows that stories about practice can be used to understand that people in practice are faced with various types of logic that are in conflict with each other. The story about the dual roles shows that you not only must be faithful to your constituency, but that you must also fulfil the collective mandate (the formal role). The story about decorating the Christmas tree refers to the tension between the utility-oriented logic of the actor and the institutional logic of the governance model. The story about the executive board meeting shows that there is a discrepancy between the formal and informal worlds. And the tension in the grey area of rules and regulations and in the interaction with the DNB shows that there is room for action within the areas of tension. Finally, the story about social issues shows that the media influence the actions of actors in and around the pension fund.

Now that the findings of BPF case study have been presented in this chapter, the subsequent chapter addresses the findings of Florabank case study.



Chapter 5

Florabank



5 Florabank

This chapter gives background of the case study of the case study of Florabank, in preparation of chapter six which gives an analysis of BPF in light of theory. This chapter aims to answer the second research question: "How do actors in and around the boards of governance of BPF and Florabank deal with tensions in corporate governance?". As in the previous chapter, these findings are presented with the aid of various types of logic. The aim is not to compare the case studies, but to gain insight into the sensemaking about corporate governance. The topics in the various sections are therefore not identical to the topics in the previous chapter. However, like the previous chapter, the three types of logic –actor logic, institutional logic and logic of practice– are used to explain the stories from the case studies. These stories are drawn from interviews and document analysis and they are thus paraphrases of stories told by the actors of Florabank themselves. In Section 5.1, the main actors take centre stage, and the backgrounds of the key players are described. The pursuit of ideals of actors in and around the boards of governance is also an important theme in this section. This section closes with a story about the CEO, which clarifies the characteristics of this individual and the characteristics of his frame of mind. Section 5.2 focuses on the logic of the institute. Based on stories about rules and regulations, culture, bylaws, authority and the informal consultation structures, the written and unwritten rules within Florabank that give meaning to corporate governance are clarified. The logic of practice is presented in Section 5.3 with stories about the tensions in practice: Which obstacles do actors encounter in practice, and how do they deal with these obstacles? This section focuses on these areas of tension. The following themes are addressed: The implementation of rules and regulations, the discussions about ideals, balancing between formality and informality and the completeness and timeliness of information. Finally, Section 5.4 closes this chapter with a synthesis.

5.1 Presentation of the actor logic

This section focuses on the logic of the actors in and around the boards of governance. The first subsection answers the following question: who are the actors in and around the boards of governance? In the second subsection, it becomes apparent that the greatest similarity between all actors in and around the boards of governance is that they pursue ideals. The third and final subsection focuses on the personal characteristics and thinking of the CEO. At the end of each subsection, the type of actor logic that comes forward in the stories is identified.

5.1.1 Old key players and new entrants

To provide insight into the background and origin of the key players in and around the boards of governance of Florabank, Appendix II includes a summary of the background and origin of the respondents of BPF. To clarify the relationship between key players and respondents, Table 5.1 again shows the background and origin of the respondents.

Table 5.1 Personal characteristics of respondents at Florabank

No.	Actor	Job title	University education	Male	Age ≥ 50 years	Background in Economics or Law	Part-time position
1	Executive board	CEO	V	V	V	V	
2	Executive board	CFO	V	V	V	V	
3	Executive board	COO	V	V			
4	Daily management of Netherlands branch	Managing Director	V	V	V	V	
5	Depository Receipt Holders	Chair of Association Administration Office (AAO)	V	V	V	V	V
6	Supervisory Board	Chair of Supervisory Board	V	V	V	V	V
7	Works Council	Chair of Works Council		V		V	V

Table 5.1 shows that the group of actors in and around the boards of governance is very homogeneous. Most of the actors are males older than 50 with a university education in economics or law. This male-dominated picture closely resembles the image of the entire financial sector. On 30 June 2008, not a single female executive board member had been appointed in the entire Dutch financial sector, and there were only nine female members of supervisory boards, relative to a total of 126 members of executive and supervisory boards (Female Board Index, 2008). The banks made an agreement with the Social and Economic Council of the Netherlands (SER) that 30% of top positions must be held by women. In October 2014, only a single woman held such a position at the four largest banks in the Netherlands (ING, ANB Amro, Rabobank and SNS). This is equivalent to 5 percent of the top positions at those four banks. The dominant group of men represents rational thinking and professionalism relative to the emotional and social side. As a reason for the large number of males in top executive positions, the respondents also indicated that fewer women than men are available for such positions. Furthermore, the CEO indicated that Florabank was indeed looking for women to fill certain executive positions. He was therefore very pleased that a female member of the supervisory board was recently recruited.

The dominance of university backgrounds in economics and law also results in a specific frame of mind, which is dominated by rational and utility-oriented thinking. Elements such as profits, balance sheets, controlling and sharing risks, achieving advantages of scale and minimizing costs, as well as solution-oriented thinking, are learned in these studies. The stories of the respondents show that in recent years, due to the enormous increase in rules and regulations, there also been an increase in the number of executives with training in law. Notably, the CFO of Florabank has a university degree in law and then worked in a variety of economics departments at international banks; this is partly why he was chosen for this position.

This observation leads directly to the topic of the *old boys' network*[57]. In the interviews, the respondents indicated that the phenomenon of the *old boys' network* indeed exists. Various respondents described this as a network that became established because many people became acquainted with each other in the banking world. They encounter each other during meetings of umbrella organizations and at seminars and conferences. According to the respondents, it is often a practical solution to recruit amongst one's acquaintances; the recruitment is often much faster. Some respondents described recruitment via this network as complacency. At Florabank the respondents often know how their colleagues were hired. For example, the COO (35) knew that he was the only one of all the actors in and around the boards of governance at Florabank who was not recruited through the network of the CEO. Besides the existence of an old boys' network, the respondents also referred to the growing trend of "new entrants". A number of respondents also described themselves as new entrants. The CFO, who is of foreign origin, explained that he running up against the "ceiling" because people who grew up in the Netherlands already have a network and he does not. As a result, he considers his foreign origin as a deficiency and he must make a special effort to be admitted to the network. The COO, who is the only respondent who was not recruited to his current position through the network of Florabank, explained this as follows: "I am certain that there is an old boys' network, but I also know that you can break through the 'glass ceiling[58]'" (Interview COO). Furthermore it is striking that all the new entrants claimed that it is indeed possible to be admitted to the old boys' network. To "break through the glass ceiling", the respondents had

57 The old boys network refers to the phenomenon in which the top executives in the business community belong to a closely knit group. The members of the old boys network come into contact with each other not only on the executive boards and supervisory councils, but they also have mutual links of friendship and family. They know each other from the better families and have often known each other since their college days, during which they often acquired their initial experience in governance on the boards and committees of fraternities (Fennema & Heemskerk, 2008).

58 The glass ceiling is a metaphor that refers to the invisible barriers (ceilings) that prevent women from attaining top-level positions in business and government. It distinguish itself from more visible barriers such as requirements for experience and education.

to be more flexible, motivated and passionate. In addition, the CEO indicated that it is not desirable to exhibit insolent and arrogant behaviour.

The story sketched above shows that this group of actors in and around the boards of governance shares references to similar concepts: "old boys networks" and "the glass ceiling". Similarly to BPF, many shared ideas on the organization's context prevail. The story above also shows that the dominant group of actors in and around the boards of governance consists of men. This results in a strongly developed rational side and a professional approach to governance. The dominance of training in economics and law of the actors in and around the boards of governance often results in rational and utility-oriented thinking. At the same time, this section shows that efforts are being made to attract other actors in and around the boards of governance.

5.1.2 People with ideals

Nearly all respondents emphasized that in recent years a great deal has changed in the financial sector. For example, the director of Florabank cited the example of a discussion was held a number of years ago about not to use certified shares, which give shareholders more control in the shareholder meetings. Although the Tabaksblat Parliamentary Commission at that time gave a great deal of attention to shareholder control, the discussion at the time was about whether the shareholders had enough power. At that time, the certification of shares became a dirty word. At Florabank, a discussion was held about what it would mean if certified shareholders would no longer be admitted by law. According to the respondents, change has accelerated in recent years and in public discourse the financial sector and the boards have acquired a bad reputation. This is because executives have received gigantic salaries and bonuses while regular employees were fired. Current society appears to have an enhanced sense of justice. Executives are publicly confronted and criticized for their greedy behaviour. The interviews show that this resulted in actors in and around the boards of governance in the financial sector becoming more cautious; they don't want to have negative publicity. Society has lost its faith in the boards of governance of the

financial organizations. According to the respondents, this undesirable behaviour led to a new development. The COO explained this as follows:

> Eagerness and drive to perform are increasingly important, there is a need to achieve, not only in financial terms, but people also want to be more balanced and mean something for society. In fact, one is increasingly balancing the need to achieve (Interview COO).

According to the respondents, this story is a logical extension to the historical story of Florabank, which began in the 1960s. A study group, consisting of an economist, a professor of financial law, a management advisor and a banker, began to study how money could be managed in a sustainable fashion. They had clear ideas about the role of money in society and believed that money is the engine of social change. Based on these initial ideas, the study group jointly established a foundation to support innovative projects aiming for positive societal, ecological and cultural change with grants and loans. Florabank became possible by a small group of individuals who provided financing based on idealistic considerations. These shareholders believed it was important to invest more in projects with ecological, cultural or social aims, and not only financial motives. To give this mission an optimal chance to succeed, the shareholders initially accepted lower yields on their investments. In a short period, all kinds of projects were funded, such as green projects and micro-finance institutions in developing countries. The parties interested in companies with social, cultural and ecological added value then expanded to include wealthy individuals and institutional investors.
The idealistic values in this history can still be found in the actors in and around the boards of governance. An overarching similarity between the people who work at Florabank is that they believe the bank can help change society. For example, the chairman of the supervisory board stated that the way in which people want to do their banking is an improvement for the entire world:

> Usually when you look at a bank, then you have a bank with a mission. However, I see Florabank as a mission with a bank. We want to improve the world, what is the best way to do this? By becoming involved in the financial world. Our mission will be

> achieved only when the entire financial world operates like Florabank (Interview with chairman of supervisory board).

Or, as explained by the CFO: "We have a higher ideal, and that is actually society at large. We strive for a better society. For me, that is the most important" (Interview with CFO). According to the respondents, the function of money in society can be an important impetus for change. The second interpretation of ideals is much more fundamental. In this respect, the original ideas of the founders are usually cited. The interviews revealed that the respondents thought it was important to preserve the original ideas. For example, when preparing a vacancy announcement for a new member of the supervisory board, there was rapid agreement that the new member had to adhere to the original ideas. At that time, the supervisory council had only a single member who represented the original ideas, and the members of the council thought this was insufficient (Interview with chairman of the supervisory council).

The above story shows that a societal development is underway in which social values are becoming more important. This social perspective links up with the perspective of the actors in and around the boards of governance of Florabank. The most dominant similarity is that all actors are confident that their method of sustainable banking can result in a better society. The following story shows that the CEO also has this ambition, but has other characteristics as well that determine the line of thought of the actor.

5.1.3 The CEO: always in control

In general, the respondents were very positive about the CEO; nearly all of them described him as an idealist, but also as a visionary, entrepreneur and pioneer. Nearly all respondents expressed their appreciation and admiration for these characteristics of the CEO. During the interviews, they spoke with great respect about the CEO. For example, in an interview, the chairman of the works council stated that without the CEO, Florabank would not have come nearly as far. According to the respondents, he does much more than a regular CEO. He is involved much more with banking matters than other CEOs and is more involved with the

work of other people at the bank. When asked what improvements they would like to see in their interaction with the CEO, more than half of the respondents indicated that they believe the CEO should listen better to his players. The chairman of the supervisory board commented as follows:

> The CEO stands head and shoulders above the rest, and that is dangerous in a certain sense. He is the standard bearer of the organization, but at quite a distance from others. The danger of what's inside him... and I talk to him quite openly about this... is that he exhibits Van Der Hoeven behaviour, who also had no reply.[59] We are very mindful of this (Interview with chairman of the supervisory board).

The majority of respondents indicated that not listening is closely related to the fact that he is a true entrepreneur. He is not quick to give up on his ideas and he certainly doesn't want to incur any delays. For him, getting people involved and creating support is seen as an obstacle or something that is annoying. Various respondents also thought that this is why he "forgets" to involve other players in the process. This is not because he is hiding anything. Quite the contrary, all respondents stated that he is very trustworthy. Half of the respondents indicated that they would sometimes greatly appreciate being informed about certain developments in a more timely fashion. But it was also clear for some respondents that this is not always possible. Another group of participants indicated that the CEO has difficulty letting go and viewing things from a distance.

59 Cornelis Harry (Cees) van der Hoeven (Den Haag, 9 September 1947) was appointed chairman of the executive board of Ahold in 1993. Initially he was very successful. For example, he was voted top executive of the year for five years in a row. Under his leadership, Ahold completed more than 50 takeovers, and the share price for Ahold rose steadily. In 2002 an unexpected turnaround occurred: Ahold had to issue three profit warnings. In February 2003 a bookkeeping scandal came to light at the Ahold subsidiary US Foodservice. Ahold had overestimated the operating income of U.S. Foodservice in 2001 and 2002 on paper by more than $500 million. "Van der Hoeven behaviour" refers to the Louis XIV-type behaviour of Van der Hoeven. The book by Cools (2005) described how this arrogant behaviour led to a culture that tolerated little opposition, so that errors and fraud occurred more often.

According to various respondents, however, the CEO has improved steadily in this respect.

An important question to determine the identity of the board members is the following: how were they appointed to their current positions? When you ask this question to executives and experts in the financial world, you hear very personal stories, but there are also similarities. An important similarity is the need for control. Most of the executives achieved their current position because they developed a great sense of control during their career. Of course, control is praiseworthy in the financial sector. As the chairman of the works council explained this during an interview: "The members of the board are the directors of their own careers". They have a goal and they aim directly for that goal. This thinking in terms of directing also emerged from two stories of the CEO on day-to-day management. The first story is about finding a balance between certainty and risk. He indicated that he is very deliberate about calculating risk. What happens if we lose the money? Or what can I fall back on if something goes wrong? These are questions which regularly appear in the mind of the CEO of Florabank. Terms such as balance management, mathematical, rationality and risk management regularly appear in this story. The CEO explained his story by indicating that you can't attract savings if you don't know what you're going to do with that money. It seems that this is a very static consideration, but the CEO emphasized that this is very dynamic and that it is difficult to move between the stringent frameworks of certainty and risk management (Interview with CEO). The stories of the members of the board and key players in the financial world therefore show that people are increasingly subject to doubt about the use and tenability of these models. The chairman of the supervisory board of Florabank explained this as follows:

> These products have become so complicated and are removed so far from reality –which was one cause of the financial crisis– that we have lost contact with the real economy. Very simple, two words.…Previously there was a supply chain in the world, and there was a corresponding flow of money, but now money has become a product itself and has increasingly become only a derivative.… Previously, the bank incurred the risk of financing a certain business, and was familiar with that business, but now the

> bank buys and sells, and buys and sells again, and ultimately the risk is incurred with the financial institute. There are banks which do not even understand the risks they have incurred, they are no longer on solid ground (chairman of the supervisory board).

The second story in which "directing" appears concerns the social relationships. These stories involve terms such as feelings, relationships, power and the management of balance. The CEO stated that he manages actors in daily practice very deliberately. He described this as follows: "I have to maintain balance; when I promise something to one stakeholder, this has consequences for the other stakeholder. I do this very deliberately" (Interview with CEO). He indicated that he is continuously managing constellations and seeing whether all actors are involved. In this story, the CEO makes it clear that it is sometimes difficult to see who the right stakeholders are. For example, the CEO distinguishes three groups: the economic stakeholders (such as customers, employees and shareholders), the NGOs (such as sustainability associations), and the freethinkers, who are important for the societal debate (such as journalists and professors). He explained that he has problems with the latter groups. With the NGOs, the problem is that he often does not know with whom he must negotiate, who has authority within the NGO, and who is therefore the best person for him to contact. And with individuals and freethinkers, the problem is that they are difficult to organize. According to the CEO, it is not always possible to have control over managing the stakeholders. Although he indicated that he understands that he can't control everything, the CEO stated that he has developed methods to stay in control, such as "leapfrogging". Leapfrogging, as the name indicates, means that he doesn't always go to the people who are directly under him, but skips one level in order to hear what is actually going on. He believes this is a good strategy and recommends this to the people he manages; he concludes that this results in a "fabric" of control.

The above story clearly shows that thinking in terms of control is inherent to the CEO. This results in a specific frame of mind for the actor. For example, how the CEO views stakeholders can be formulated as thinking in terms of keeping control. In the following section, institutional logic is addressed.

5.2 Presentation of the institutional logic

The aim of this section is to provide insight into the logic of Florabank as an organization. The stories below address the important written and unwritten rules of actors in and around the boards of governance at Florabank. At the end of each subsection, it is indicated which institutional logic underlies the stories. These four stories have the following titles: the fundamental reasons for rules and regulations, the small sustainable bank, the organizational model, the authority of the CEO and the governance method.

5.2.1 The fundamental reasons for rules and regulations

During the interviews, when the respondents were asked what corporate governance refers to, all of them initially cited the Dutch Corporate Governance Code and the Banking Code. The corporate principles of Florabank were also cited.

The Dutch Corporate Governance Code
The Dutch Corporate Governance Code was established at the invitation of the Ministers of Finance and Economic Affairs and at the request of Euronext Amsterdam, the Netherlands Centre of Executive and Supervisory Board Members, the Foundation for Corporate Governance Research for Pension Funds, the Association of Stockholders, the Association of Securities-Issuing Companies and the business organization VNO-NCW. Section 1.2 indicates that the Dutch Corporate Governance Code was adopted in 2003 by the Tabaksblat commission and was updated in 2008[60] by the Frijns commission. The Code contains principles and best practices that regulate the relationships between the executive board, the supervisory board and the stockholders (or the general meeting of stockholders). The relationship between the corporation and its employees (representatives) is addressed elsewhere, i.e. in the Works Councils Act (WOR). However, according to the preamble of the Code, the interests of the employee must be taken into account in the context of integral consideration of all stakeholders. The Dutch Corporate

60 The update of the Frijns commission went into effect on 1 January 2009.

Governance Code applies to all corporations with their head office in the Netherlands or to listed companies[61].

In strictly legal terms, Florabank does not have to comply with the provisions in the Code, since the share certificates are not listed on a regulated stock exchange. Nevertheless, in its annual reports Florabank has indicated that it stands behind the principles of this Code and is also committed to them. The respondents indicated that they want to comply with these provisions because the Code supports the Triple P values and the standards of Florabank. However, following due consideration, the bank decided to deviate from the Code on five specific points. The first deviation concerns the voting rights on shares. The certificate holders do not have voting rights on the underlying shares. Instead, the voting right is exercised by the AAO. The second deviation is that the term of office of the statutory directors is not limited to a period of four years, since according to the organization this would not benefit the long-term development of the company. The third difference is that the supervisory board of Florabank has a single, integrated appointment-and-remuneration committee for the executive board and therefore does not have separate appointment and remuneration committees as prescribed by the Code. The fourth difference is that the bank does not present proposals for substantial changes in the bylaws as separate agenda points to the General Meeting of stockholders. The reason for this is that they want to reserve the possibility for presenting multiple changes as a single point on the agenda. According to the bank this is desirable if there is a strong mutual correlation between the proposed changes. The latter difference concerns the remuneration for the managing directors. This is because Florabank does not have any share or option schemes, as described in the Dutch Corporate Governance Code.

Banking Code

Besides the Dutch Corporate Governance Code, the Banking Code is also relevant for the corporate governance of Florabank. The Banking Code was a response to the publication of the report *Naar Herstel van*

61 The Code does not apply to investment institutions that can be classified as financial products.

Vertrouwen of the advisory committee on the Future of Banking (Maas Commission, 2009). The Dutch Banking Association (NVB) adopted the Banking Code on 9 September 2009. The Banking Code concerns principles relating to the supervisory board, the executive board, risk management, auditing and remuneration policy. The Banking Code applies to all banks holding a banking permit granted according to the provisions in the Act on Financial Supervision[62]. Florabank complies with the principles of the Banking Code. However, there is one exception: Florabank does not pay variable remuneration based on predetermined financial objectives or performance. This is to avoid a risk-taking culture from taking hold in the organization.

Corporate principles
The corporate principles of Florabank were formulated by the bank itself on the basis of consultation between the board of the Association Administration Office (AAO) and the supervisory board. The corporate principles of Florabank are the following: respecting the law in every country where the bank does business, respecting human rights in various cultures and societies and respecting the environment, promoting sustainable development and taking responsibility for all those involved and their actions, and continually looking for ways to improve (Annual Report Florabank, 2009). The corporate principles apply to all employees of Florabank regardless of their job title.

The above explanation shows that Florabank is not obligated to comply with the rules and regulations, but has decided to do so out of principle. The bank does not have share or option schemes based on the principle that this could lead to a risk-taking culture. The fact that the term of office the statutory director is longer than four years has to do with the long-term thinking of the bank. According to the respondents, short-term thinking is an important contributor to the risk-taking culture of today. A short term of office can exacerbate this culture because the performance of the director is assessed only over the short term. This principle-based reasoning is strongly anchored in the culture of the organization. The

62 For some foreign banks, the provisions in the Banking Code are only recommenddations.

document analysis and interviews revealed repeatedly that the organization deviates from the rules and regulations in a positive sense. Various respondents indicated that this also has to do with Florabank culture. In the following subsection, this culture is addressed explicitly.

5.2.2 The small sustainable bank

The respondents described the interactions between the actors in and around the boards of governance of Florabank as informal and friendly, with a mentality based on serious and hard work. Two respondents indicated that the organization is not open. Arrogance, lack of expertise and unprofessional behaviour are incompatible with the culture of the bank. The interviews show that ideals are very important at Florabank. For example, the CFO responded as follows when asked what he wouldn't do at Florabank:

> Arrive here in a beautiful automobile. If you don't have feeling for the mission, then you will be uncomfortable here. People here think this is really important. You must adapt yourself to this atmosphere. You must be able to connect with these aspects (Interview with CFO).

The chairman of the supervisory board said the following about the ideological character of the bank:

> There are still small elements of … customers… They should be happy if they're allowed to bank here. This thinking is somewhat elitist. We are one stroke better (Interview with chairman of the supervisory board).

In this context, the CFO stated:

> It is not easy to work with people who have high ideals. This is often more difficult than the social context. I do not know if you've noticed this. They stand for their ideals, and everything else has to wait. (Interview with CFO).

Various respondents indicated that the danger is that people will think that only the ideals are important at Florabank and that profits and expertise on the job have a low priority. However, nearly all respondents emphasized that Florabank gives a high priority to good job performance and profits.

Notably, all respondents emphasized the informal character of the bank culture. They attributed the informal character to the small scale of Florabank. According to the respondents, the informal character is also related to the pioneer phase with which Florabank is struggling. Due to its rapid growth, Florabank has moved to a different phase from the pioneer phase, they explained. There is more professionalization and greater formality. On this topic, the chairman of the works council stated that he notices the difference with large banks. These differences become particularly visible during the inter-bank consultation in which the works councils of various banks meet with each other. At large banks, problems are solved in a formal procedure. Because problems are still solved informally, Florabank is therefore truly an exception, because it is still a small bank. The chairman of the works council explained this with an example:

> We had a reorganization at one department, during which four people could lose their jobs. The works council was informed about this situation much later. How did this happen? Good alternatives were arranged for all four people. For "Klaasje" another job was arranged. "Pietje" decided to leave anyway, etc. This was already solved an individual fashion before it got to the works council (Interview with chairman of the works council).

The chairman of the works council indicated that the reorganization was successful. The CEO also wants to arrange everything himself. This paternalistic attitude of the CEO was also mentioned in other interviews (Interview with CFO and interview with chairman of AAO). The chairman of the works council stated that he has the best intentions to find another position for the people, but that he is faced with a dilemma. This dilemma is also addressed in Section 5.3.2.

This story shows clearly that the informal character determines the interaction between actors in and around the boards of governance. However, the following story shows that formality also has a dominant role within Florabank.

5.2.3 The organizational model

During the interviews, the respondents regularly referred to the roles, tasks and functions that are described in the bylaws. The bylaws are legally certified by a public law notary during the formation of a limited liability company. The General Meeting of Shareholders may decide to amend the bylaws of Florabank. This decision is made annually. The bylaws of Florabank specify aspects such as the number of shares that can be issued, the method of appointment and discharge of board members, the competencies of the various bodies and the frequency and manner of their meetings, and the conveyance of shares. Because these competencies are described in the bylaws, it is logical that the respondents referred to them during the in-depth interviews. However, it is notable that the preamble to the bylaws includes the original philosophy of Florabank[63]. The first article of the bylaws states that Florabank is a limited liability company. The choice for this legal form has a number of consequences for Florabank. First, when a limited liability company is established, the bylaws must be certified by a public law notary. Second, a limited liability company has a number of bodies: an executive board or board of directors, a supervisory board that monitors and advises the executive Board or Board of Directors, and a General Meeting of Shareholders that is authorized to appoint and discharge members of the board, amend bylaws, issue new shares and can decide to dissolve the limited liability company. Third, the members of the board of directors, executive board and supervisory board are in principle not liable for debts incurred by the limited liability company[64]. However, in case of mismanagement with resulting damage to the company, the members of the executive and supervisory boards can be held responsible.

63 The preamble is not legally binding.
64 To avoid personal liability of the members of the executive board and supervisory board, the limited liability company must be registered in the trade registry. This registration is usually supervised by the public law notary.

To acquire insight into various roles, tasks and competencies of the actors, Figure 5.1 provides an overview of the actors in and around the boards of governance at Florabank. This figure was created by combining information from the interviews, the annual reports 2009 and 2010 and the bylaws of Florabank.

The organization revolves around the members of the boards of governance of the international head office consisting of three board members: the chairperson (Chief Executive Officer (CEO)), the Chief Financial Officer (CFO) for financial matters and the Chief Operations Officer (COO) for day-to-day internal management and operational management.
The CEO and CFO are the statutory directors[65]. These statutory directors are formally responsible for the leadership of Florabank in general, and are appointed by the supervisory board. The operational management of all the separate branches, i.e. the branches in the Netherlands and abroad consisting of a director and one or more managers, is accountable to these statutory directors. For example, the Dutch branch has a management consisting of one director and four managers, who manage the other employees at Florabank. A works council (OR) has been appointed at the branches in the Netherlands and in Spain.
Figure 5.1 illustrates the overarching role of the shareholders and certificate holders. At the General Meeting of Shareholders, the shareholders approve the annual accounts and the allocation of profits, grant discharge[66] to the directors and members of the supervisory board, approve proposals to amend articles from the bylaws, discuss reappoint-

65 According to law, a statutory director is responsible for directing a limited liability company. A director is a member of the executive board only if he is appointed as such by the body that is authorized to make such appointments. This is frequently the General Meeting of Stockholders or the Supervisory Board. Appointment takes place by a legal appointment decision. An important provision is that a statutory director is liable, while other non-statutory directors are not jointly and severally liable. In the remainder of this thesis, I will refer to the CEO, CFO and COO jointly as the executive board and when I refer to the statutory directors I will state this explicitly.
66 Granting discharge means relieving an individual of a specific responsibility, i.e. a set of tasks, a function, position or obligations in general. During a General Meeting of Shareholders, members of the executive board and the supervisory board can be granted discharge.

ment and remuneration of the supervisory board, authorize directors to acquire their own certificates, assess the performance of the external auditors, and decide on the issuance of new shares. The General Meeting of Shareholders has only a single shareholder –the Association Administration Office (AAO)– which has voting rights at the General Meeting. The AAO is a foundation that represents the certificate holders. It issues certificates to private parties and institutions. The certificate holders have voting rights at the Meeting of Certificate Holders. The Meeting of Certificate Holders appoints the board members of the AAO based on these recommendations and approves or does not approve the remuneration for the members of the AAO.

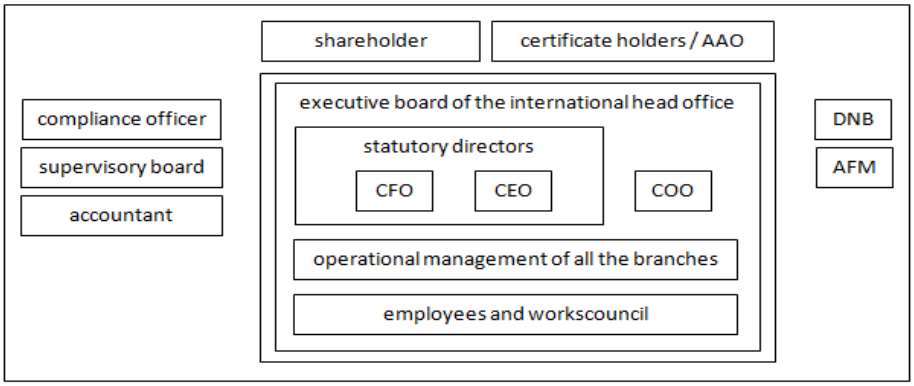


Figure 5.1 Overview of actors in and around the boards of governance at Florabank

The left side of Figure 5.1 shows the internal supervision of the bank, consisting of the accountant, compliance officer[67] and the supervisory board. The latter internal supervising authority has the task of supervising the policy of the executive board and the general course of affairs in the limited liability company and its associated companies. It provides the executive board with advice. When fulfilling its task, the supervisory

67 A compliance officer is a functionary who is appointed at a financial institution to monitor compliance with rules and regulations within the organization. He can act as an advisor to the institution under his supervision, but he can also have a more controlling role and act as a type of internal accountant. For banks, insurers and pension funds, the appointment of a compliance officer is mandatory.

board focuses on the interests of the limited liability company and its associated companies.
On the right side of Figure 5.1, the external supervision is shown that is organized by the Dutch government, consisting of the DNB and AFM. Both external supervising authorities have different tasks. The DNB monitors whether financial institutions are healthy and can meet their financial obligations, while the AFM focuses more on the behaviour of the financial markets or whether the institutions properly inform their customers about financial products. The AFM also monitors whether companies keep to the agreements they have made with their customers. The foreign branches of Florabank are supervised by the corresponding national regulatory authorities. However, since the foreign branches to not fall within the scope of this study, they will not be included.

This story outlines the tasks, roles and competencies that the respondents expect from their formal role. The interviews show that these tasks and roles are very important. The respondents referred very frequently to the bylaws and often to the exact role of the actors in around the boards of governance. The subsequent story shows that not only the formal role determines the institutional logic, but also that the informal authority plays a major role in the institutional logic of Florabank.

5.2.4 The authority of the CEO

All respondents were asked to fill in a matrix showing who has the most authority in daily management. They were asked to do this by assigning a rank of one through eleven, where 1 has the most authority and 11 the least. Table 5.2 shows the results of this ranking. The respondents were free to add actors to the matrix. The respondents added employees, suppliers and the accountant. They indicated that it was difficult to fill in this matrix, since there are various levels of authority. Various respondents stated that at the management level, the CEO has the most authority, but that each actor has the most control within his or her own practice. For example, on the work floor itself the managing director, a manager or an employee has much more authority than even the CEO. Notably, the chairman of the AAO indicated that this organization should formally be ranked number one, because the bank is owned by the

shareholders. A number of respondents also indicated that society should be ranked number one, but in day-to-day practice this works out differently. The opinions of the respondents about the ranking were very similar, and the justification for the ranking was virtually the same.

Table 5.2 Average authority ranking of actors in and around the boards of governance of Florabank

No.	Who has the final word
1	CEO
2	CFO/COO
3	Managing Director
4	Supervisory Board
5	Association Administration Office (AAO)
6	DNB
7	AFM
8	Government
9	The Works Council
10	Consumers/customers
11	Interest groups

According to the respondents, the CFO, COO and the Managing Director are at the top of the ranking. Notably, this group, supplemented with the supervisory board and the AAO, also has the most interaction with the CEO. The groups that have the least interaction with the CEO also have the least authority. Four of the seven respondents indicated that the CEO has the most authority in day-to-day management. After the CEO, the respondents ranked the CFO and COO as having the most authority. However, the respondents also indicated that the amount of authority often depends on the allocation of dossiers to the members of the executive board. For example, in daily practice, the COO often has more to say about automation than the CEO. According to the majority of respondents, the CEO receives the most backtalk from the CFO, the supervisory board, the managing director and the external accountant. The CFO described how he approaches confrontations with the CEO very deliberately and how he determines whether he should initiate a confrontation or wait for the right moment. The chairman of the supervisory council indicated that the personal characteristics of the CEO and CFO are complementary, and that the CEO is the entrepreneurial type, the CFO is the risk-avoiding type, and that the CEO is primarily responsive

while the CFO secondarily responsive. The chairman of the supervisory board commented as follows:

> The next day (first name of CFO) comes back and says: "I've thought about this," and then the CEO says: "we discussed this yesterday" and the CFO responds: "yes, but after sleeping on it..." and this game continues and (first name of CEO) listens. (the respondent laughs). Well, he tries to listen" (Interview with chairman of the supervisory board).

The CFO stated that the roles have grown in this way. He believes that they look at the competencies and capacities of the people in question. Although the chairman of the supervisory board, the chairman of the AAO and the managing director also typified the relationship with the CEO as cooperation, the CFO said that they do not cooperate, but coordinate, so their activities do not overlap too much. The CEO has the mandate to look at strategy and development, while the CFO looks more at striking a balance between risk and benefit. However, the CFO emphasized that they feel jointly responsible for the mission of the bank.
After the CEO, CFO, COO and managing director, the supervisory board, the AAO, the DNB and AFM have the most authority. Various respondents indicated that the supervisory board and the AAO hold separate positions; if the organization performs well and there is no threat of takeover, formally they do not have much authority, but if there are problems in these areas, then they do have the formal authority to intervene. The chairman of the supervisory board himself indicated that when the executive board and the managing director do their work properly, the influence and authority of the supervisory board is negligible (Interview with chairman of the supervisory board). The chairman of supervisory board stated that at the beginning of his career at Florabank, he felt like he was not always needed. He said that a prominent politician, who had also spent some time on the supervisory board, made the following statement: *Are we actually needed in our role on the supervisory board, or is this only a legal obligation? (Interview with chairman of the supervisory board)*. The above chairman stated that he agreed with this politician and that he indeed felt this way at the beginning of his career. However, due to the composition of the supervisory board, it now offers

a much stronger counterweight. According to the chairman, it helps that the supervisory board now begins every meeting with a presentation from a department head during which members of the board can ask questions. In addition, the supervisory board has come to know much more about the organization and has much more understanding of the risks and worries in the organization.
Although the supervisory board and the AAO both have supervisory tasks, they also have differing interests. The AAO focuses on the interests of the certificate holders, while the supervisory board keeps an eye on the interests of the bank as a whole. Although their interests differ, the executive board, the supervisory board, the AAO and the supervisory board were reported by various respondents as being friendly with each other. For example, the chairman of the works council stated that the supervisory board does not contradict the CEO. He added that the chairman of the supervisory board and the CEO often think the same way about many matters. The members of these bodies do everything they can to present a united front to the outside world. The chairman of the supervisory board commented as follows:

> For people in the organization, the AAO and the supervisory board are one and the same. They have may disagree with each other, but they present a single face to the outside world. They also cannot show that they differ in insight (Interview with chairman of the supervisory board).

According to the respondents, the DNB and AFM establish the conditions and the rules and regulations which Florabank and its executive board must comply with, and they have authority only in this respect. According to Florabank respondents, the parties with the least authority are the government, the works council, consumers (customers) and interest groups. Notably, the works council is given the ninth place. Various respondents indicated that the works council has little or nothing to say within the organization.
According to the respondents, the customers and the interest groups have the least to say in day-to-day operations. Some respondents indicated that there is actually too little contact with customers from the management level, and that too few structural contact moments have

been arranged. Although customer days are organized during which actors in and around the boards of governance can talk with customers about topics such as sustainability, customer panels are not deployed. Notably, the respondents did realize that this group determines the legitimacy of the organization. Various respondents indicated that the clients themselves show their authority by "voting with their feet". The CEOs cited an example from practice which showed that this actually occurs. When the television programme *Zembla* made it known that several other banks and pension funds were investing in cluster bombs, the number of clients opening an account at Florabank increased sharply (Interview with CEO).

This section shows that people have difficulty in answering the question of who has the most authority within the organization An important reason for this difficulty is that everyone has authority in their own area, and that the executive board makes no decisions in certain areas. However, when looking only at management decisions, it emerged that there is a difference between formal and informal authority. According to the bylaws, the CFO and CEO are responsible for decision-making at the executive level, but the interviews show that the CEO still has the most informal authority. The following story is about the patterns of interaction and the corresponding role of the CEO.

5.2.5 The governance method

During the in-depth interviews with respondents at Florabank, enquiries were made about the amount of interaction between actors in and around the boards of governance. Figure 5.2 shows a network of contact moments between the various players. Three remarks can be made about this network. First, various respondents indicated that the accountant and compliance officer were actually not very important, since they are seen as acting under the auspices of the DNB and AFM. However, other respondents did acknowledge that the accountant has an important role (Interview with CFO). Second, the respondents added the following actors to the list that was presented to them in a matrix

(Appendix III): consumers, interest groups[68] and the government[69]. The third remark is that when no line is drawn between various players in Figure 5.2, this means that little or no formal contact is present. However, coincidental contact between these players is still possible, for example during seminars, customer days or other events. These contacts have not been included in Figure 5.2.

68 The interest groups are the associations in the area of sustainability or the Association of Banks.
69 The government includes ministers, state secretaries, parliament and civil servants.

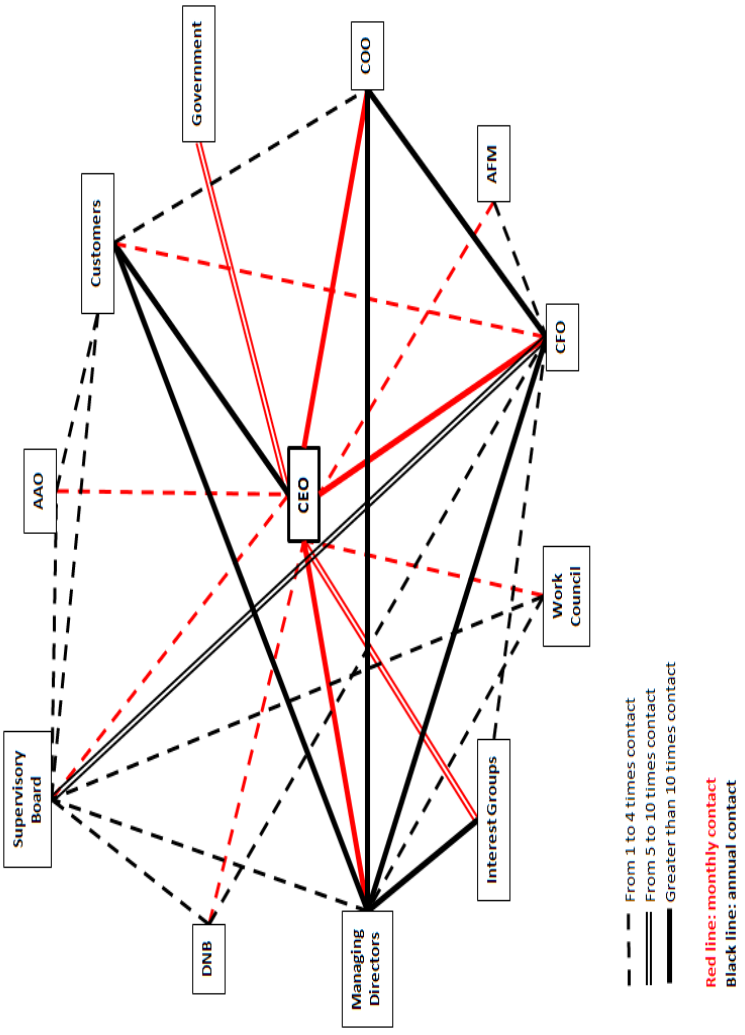


Figure 5.2 The number of contact moments in the corporate governance network of Florabank

Regarding the interaction between the players in and around the boards of governance of Florabank, three remarks can be made. First, the CEO is drawn as a sort of spider at the centre of the web; this was done for a reason. The respondents surrounding the CEO indicated that he likes to take control, and actually has control at the managerial level. For example, the chairman of the AAO indicated that the CEO does not want him to hold discussions with the financial officer of a foreign branch (without permission). He said that he understands this and complies; he continued as follows:

> Like the proverbial spider in the web, he wants to see all the lines of communication. Not that he wants to hold anything back, I don't believe that, but he does want to be in control, and I note that he is very cautious about uncontrolled growth in internal communication (Interview with chairman of AAO).

However, the other respondents see that the CEO has developed in this respect. He has distanced himself somewhat more from the bank and he tries to let go of some aspects, according to the respondents (Interview with the chairman of AAO and interview with chairman of supervisory board). According to nearly all respondents, it is primarily the CEO who takes the initiative on specific points during meetings or puts topics on the agenda. When the chairman of the supervisory board was asked to draw the network, he drew a flower, and indicated that the roots symbolize the CEO. All lines to the other players go through the CEO. He then explained that this is also something he is concerned about: the CEO has to hold on to all these lines, because if the roots are gone then the tree will fall (Interview with chairman of the supervisory board). Both the chairman of the supervisory board and the chairman of the AAO voiced the concern that this aspect is difficult because the organization is so highly concentrated around the person of the current CEO. Both chairmen also discuss this theme extensively during the meetings with their own groups. It is striking that these groups, in view of the similarities, have not yet exchanged thoughts on this topic with each other; it is even more striking that they have never had bilateral contact with each other.

The second remark concerning the interaction between the players in and around the boards of governance is that the numbers of contact moments differ greatly. The CEO has the largest number of contact moments. The CEO and CFO have much contact with each other. The CFO stated that their interactions consist primarily of making agreements about dividing tasks so there is less overlap. The meetings with the CEO show a fixed pattern that is planned well in advance. In the interactions with the CEO, it is notable that nearly everyone, besides having contact at the formal meetings, also has informal contact with the CEO. The works council is an exception. The informal meetings with the CEO primarily have an exploratory, coaching and sometimes an evaluative character. The agendas for the formal meetings are discussed in advance. Is a specific topic ready for the agenda, or is it too soon? Information is also exchanged on many topics. As an example, the chairman of the AAO said that during the informal conversations with the CEO, topics such as the credit crisis were discussed. The following issues were raised: Does the credit crisis have consequences for the bank? If so, which consequences? And if a certificate holder asks why Florabank is not troubled by the credit crisis, what can we answer? (Interview with chairman of the AAO). An important function of informal consultation is that the dilemmas can be discussed from both sides and reviewed by the other party. During the informal meetings, confrontations sometimes take place that outsiders should not hear. For example, the CFO indicated that when he confronts the CEO, he does that primarily in an informal setting.

The third remark concerns two developments that are currently taking place in the area of interaction. The first development is that various players are no longer involved in the strategic process. In this context, the respondents referred to 'Theory U'[70] (Sharmer, 2009), which they use when writing the strategic plan for Florabank. The CEO explained that Sharmer works according to the principle that while writing a business

70 Theory U describes a process to achieve fundamental change. The letter U illustrates the route along which this change is given shape. First *'go deep'* and then take action step-by-step with the aid of these insights. Essentially, this process involves making unconscious and invisible information conscious and visible, and then being able to use this information in the process of change. This can be achieved by looking, communicating and acting differently. In his book *Theory U* (2009), Otto Scharmer described this as observing, feeling, and acting with an "open mind, open heart and open will".

plan or strategic plan, one must force oneself to initially focus on the environment and listen to other players in and around the organization, before considering the content of the plan. According to the CEO, this method compels one to first enter into dialogue with the stakeholders in the broadest sense of the word. At Florabank, three months of discussions were held with various stakeholders, internal as well as external. Not only employees were involved, but 'inspirers' in the area of sustainability were also interviewed. One team from Florabank even went to the train station to ask the opinions of commuters about banking in the future. The second development that was referred to by various respondents is that a community of external and external parties is gradually being created in which the players can contact each other more easily, physically or digitally. At present, the average Florabank customer is older than 45 and is digitally not very opportune, although there is development towards more attention to this aspect, according to the COO (Interview with COO).

These stories show that the interaction patterns between actors in and around the boards of governance determine the institutional logic. In this respect, the CEO is an important player. This story has revealed the characteristics of the CEO, such as striving for control and direction. The CEO controls and directs the consultation structures. The implicit message of this story is that actors in and around the boards of governance follow the informal consultation structures of the CEO. For example, they do not consult with other parties without informing the CEO about this. Otherwise, the respondents would see this as a kind of betrayal. The following five stories focus not on the logic of the institute, but on the logic of practice.

5.3 Presentation of the logic of practice

The various stories presented below address how the actors in and around the boards of governance deal with corporate governance in practice. These stories have the following titles: using grey space in rules and regulations, balancing between formality and informality, discussions about ideals, and the completeness and timeliness of information. At the end of the various stories, the logic of practice is addressed.

5.3.1 Using grey space in rules and regulations

The DNB is seen by the respondents as the primary external regulating authority and the AFM as the secondary external regulating authority. The DNB has a more emphatic presence at Florabank than at the pension fund. Nearly all respondents at Florabank stated that they have not noticed much about the AFM. However, the respondents did indicate that in the context of the financial crisis and bookkeeping scandals, the demands of both the DNB and AFM have grown and have become increasingly strict. Certainly in view of the financial crisis, the respondents understand this. The respondents indicated that they believe that rules and regulations help to prevent excesses. At the same time, cautious remarks were made about whether the current rules and regulations are really adequate. The underlying thought is that if someone really wants to go rogue, then they will do so regardless. Another aspect also emerged from the in-depth interviews: the CFO stated that a discussion had taken place about whether the responsibility for making and enforcing rules and regulations had been given to the right party. The CFO explained this as follows:

> So you have, for example, transaction monitoring. Banks are in fact responsible if money laundering or terrorism funding is run through the accounts, so we have to build detection systems into our ICT systems. In addition, we link up to lists of hundreds of thousands of names that have been selected by the government and determine whether these people are making transactions or if we can see if anything strange is happening. But that is an entire system in itself. You have to purchase software for this. You must have someone to look at this and analyse it. And what does it yield? This is a role for the police, not for a company. But at a certain point they said, you just have to implement it (Interview with CFO).

The respondents also stated that a great deal of time and energy was required from employees to comply with legal requirements, indicating a less than positive attitude on this topic. This primarily concerns the descriptions in the annual report and the explanation of the Dutch Corporate Governance Code. This is also why the metaphor "*paper tiger*" was used multiple times in the context of rules and regulations and with respect to

the DNB and AFM. According to the CEO, innovation in the financial sector is hampered by the increasing rules and regulations; the time and energy that are required to comply with these rules and regulations cannot be used for productive purposes, such as developing new products or analysing quarterly figures (Interview with CEO). The respondents also remarked that the rules and regulations are not only time-consuming, but also contradictory. This is because Florabank, due to its international environment, has to deal with both Anglo-Saxon and Rhineland rules and regulations. Moreover, the actors in and around the boards of governance do not always agree with the content of the rules and regulations. For example, the chairman of the supervisory board said that he thought it was rather incestuous that members of the supervisory board are appointed by the General Meeting of Shareholders (ALV) based on recommendations from the supervisory board:

> A supervisory body that makes a binding proposal (I assume it's binding) to the ALV for new members of the supervisory board … how independent is that? (Interview with chairman of the supervisory board).

The stories of the respondents show that actors in and around the boards of governance often seek the 'grey' areas in the rules and regulations (areas that are open to interpretation), often because the regulations lack clarity. According to the respondents, the Dutch Corporate Governance Code, with its "comply or explain" provision, offers space for such interpretation. Within this interpretive space, people look explicitly for how they can safeguard their personal or organizational interests. Some respondents indicated that this is obviously the work of legal experts, who often know the legal loopholes and understand the space for interpretation. So they ask lawyers to find out where they can get tax breaks. The CEO also indicated that he sometimes deliberately initiates a discussion with the DNB to determine if there is room in the implementation of rules and regulations. In addition, both the CEO and CFO indicated that there are situations in which the DNB is used as a sparring partner to provide new ideas. These situations are experienced as very positive. As an example, the CEO referred to the fact that Florabank was expanding abroad. Although he

was not legally required to do so, he asked the DNB for its opinion beforehand on this expansion. The CEO was very pleased with the contribution of the DNB which consequently saved time throughout the process.

This subsection shows that actors in and around the board governance have principle-based criticism of the rules and regulations. The implementation of the rules and regulations leads to extra workload that prevents actors in and around the boards of governance from doing more important work: sustainable banking. People therefore make use of the grey areas in the rules and regulations. This story also shows that rules and regulations are given a totally different interpretation in the formal context than in the informal one. The following subsection addresses the tension between formality and informality more directly.

5.3.2 Balancing between formality and informality

The interviews revealed an area of tension between formality and informality. Various examples from practice of these areas of tension at Florabank are given below. Section 5.2.2 contains a story on the reorganization and the informal approach of the CEO in this process. Before the reorganization plan was presented to the works council, steps had already been taken to arrange new jobs within the organization for employees who would be affected by the reorganization. This situation resulted in an area of tension for the chairman of the works council. On the one hand he was sincerely pleased that the employees had been treated well in the reorganization, but on the other hand the works council did not fulfil the expectations of its formal role. This is because the Works Councils Act (WOR) stipulates that formal permission is required from the works council for a reorganization. The chairman of the works council (OR) explained that such situations occur regularly. For example, in the distant past a member of the works council was informally requested to find a new pension fund, and the same individual then had to approve the proposal for a new pension fund as a member of the OR. He explained this dilemma as follows: "Actually, we continuously balance between the formal and informal" (Interview with chairman of the works council). Subsequently, the situation was discussed in the OR, and it was decided to establish a type of escape clause.

The interviews with other respondents also show that it is not easy to deal with the tension between formality and informality. Another reason why it is sometimes difficult to achieve this balance is that it is sometimes necessary to make quick decisions in practice; in this case it was not possible to coordinate everything formally. According to the bylaws, however, this is compulsory. For example, the chairman of the supervisory board explained how the CEO sometimes phoned him with the question of whether the bank should participate in a holding. This decision could not wait until the next formal meeting. In such circumstances the chairman has to consider the options. If he has the impression that the supervisory board would simply approve the decision, then he also approves it immediately and presents it afterwards at the next meeting. But if he is in doubt, then he makes a series of phone calls, although the latter seldom happens, said the chairman. He then presented another example, which clearly shows that informality also has consequences for formality. The supervisory board was asked informally by the CEO to contribute ideas to the three-year strategic plan. After they had set out a plan during the "strategy day", together with the AAO, managing directors and executive board, the supervisory board began to discuss whether they would be involved in the further process. The opinions were divided. The chairman himself believed that the strategy day with the above-mentioned actors was a top-down process. This information subsequently went back to the bank, and a bottom-up process would ensue, according to the chairman of the supervisory board. When something entirely different began to emerge from the strategic plan, then the chairman of the supervisory board concluded that the managing director was not well-organized and was not directing the organization adequately. He thought that the supervisory board should have intervened. He continued his story:

> If something is very serious, then you have the option of dismissing the managing director, but in practice it will not come to that. In practice, you don't do that because you're not going to say "I reject the entire plan" because then you make him look foolish in front of the whole organization. So that is the game. You don't do it because you don't reject an entire plan that the organization has worked on for two years. You can't do that because you don't send

> the plan back to the organization: Wow, the supervisory board is not going along with this. You should play that game better (Interview with chairman of the supervisory board).

The above example shows that informality, in particular contributing ideas to the strategy, also has consequences for formality. The respondents, especially the CEO, are very aware of this. If an important interest is involved, the respondents prefer a formal approach. For instance, the chairman of the works council used the example of changing the basis of the pension contribution for a new pension fund from final salary to average salary. For employees this is a very sensitive topic because it involves a lot of money, but it is beneficial for the organization. According to the chairman of the works council, with this type of situation everything is formalized. The opposite is also possible. Some parties do not have to be formally involved, but the actor does this anyway. For example, the CEO involved the supervisory board with the strategy day because he believes they should empathize with the organization, should account for certain choices and be given the opportunity to ask questions. Another example is that the CEO informed the DNB about establishing a foreign branch. Formally, the CEO did not have to report this, but he did so with the aim of including their opinions and ideas in the process, so the DNB couldn't bring up all kinds of concerns afterward that would still have to be implemented. In this way the CEO saved time in the process of establishing a foreign branch.
This story shows how the tension between formality and informality involving actors in and around the board with governance of Florabank is expressed. The following story involves the area of tension in the provision of information to actors in and around the board governance.

5.3.3 The completeness and timeliness of information

Notably, nearly all respondents receive information from the executive board. For example, the supervisory board routinely receives the annual report, quarterly figures, financial summaries, budgets, plans, evaluations, half-year reports, summaries of revised budgets, the operational plan, the three-year forecast and clippings from the media about Florabank. When the executive board is involved with takeovers, new plans, holdings, expansions, and new branches, then the supervisory

board is also supposed to receive this information. The members of the AAO receive figures, half-year reports, annual reports and internal memorandums about the credit policy and memorandums about operational management. According to the CEO, each actor receives information that is relevant for him or her, but the decision about what is or is not relevant is made by the CEO himself. Moreover, in practice it is sometimes difficult to determine whether the CEO has or has not shared certain information with various parties. The CEO indicated that he does not want to overload the actors with too much information. According to the CEO, it is sometimes quite an art to keep the meetings on track with the strategically important points. The CEO also indicated that the usefulness of the acquired information must be weighed against the efforts of the employees of the organization that are needed to acquire this information. The chairman of the supervisory board and the AAO noted that it is rather strange to receive such pre-selected information from the executive board, because these bodies are actually supposed to supervise the executive board.

The in-depth interviews show that in the daily practice of management, the information provision between the players concerned does not always proceed smoothly. The chairman of the works council indicated that this is not always self-evident. Following multiple requests, the works council now receives the annual report, but still does not receive documents such as the minutes of the executive board meetings. When he nevertheless requests this from the CEO, he is often asked what he wants to do with this information. According to the chairman of the works council, there must always be a utility or a necessity before he receives the information. He suspects that he does not receive the information because the members of executive board have the feeling that the works council would then get too involved with what the board is doing and would step out of its oppositional role. (Interview with chairman of the works council). The chairmen of the supervisory board, the AAO and the works council indicated that they almost always receive the information from the executive board too late. Several times, the supervisory board even ended up reading about events in the newspaper and were thus confronted with a fait accompli (Interview with chairman of the supervisory board). The supervisory board also informed the CEO that they were disgruntled about this. The AAO and works council are

also very annoyed when they do not receive the information on time. They do not like being dependent on the CEO for this information.
Opposite to this dependence is the own responsibility of the actors in and around the boards of governance. These actors also feel that obtaining the information is their own responsibility. Virtually all respondents indicated that they check the information that they receive, for example by comparing figures with those from the previous years, but that a great deal is based on trust. The chairman of the supervisory board commented as follows:

> Today, you can no longer get away with the excuse that you didn't receive the information. In that case you should have done better, asked more questions, etc. And that happens during the meetings; we make inquiries (Interview with chairman of the supervisory board).

Other actors indicated that they bear some of the responsibility. The chairman of the works council explained this as follows: The managing director once said literally: all information is available, but employees are obligated to retrieve this information themselves (Interview with chairman of the works council).

The respondents indicated that they also take matters into their own hands to accelerate the provision of information. For example, the supervisory board begins each meeting with a presentation from a department head. In addition, the chairman of the supervisory and CEO meet together two or three times per year for drinks to discuss prominent topics or various matters they are involved with. According to the chairman of the AAO, problems with the lack of information are often solved very practically by changing the information when people disagree with it, or making agreements to prevent this in the future (Interview with chairman of the AAO).

This story shows that actors in and around the boards of governance are faced with tension between independence and responsibility. On the one hand, and they are dependent on the information from the CEO, but on the other hand, they are themselves responsible for acquiring the correct

and complete information. According to the respondents, trust plays an important role in this process. They operate within this tensions and try to think of ways to acquire the information, such as requesting presentations from heads of the departments. In the following subsection, the area of tension concerning ideals is addressed.

5.3.4 Struggle between ideals

Section 5.1.2 describes how roughly two types of ideals are pursued at Florabank: the sustainability ideals and the original ideals. The interviews show that these two types of ideals can clash in practice. The key motivation behind the sustainability ideal is the conviction that their method of banking improves society. The objective is to reach as many people as possible so they deal with money differently. In this story, the growth of Florabank is an important principal because it is assumed that more people can be reached and more impact can be generated. The CEO, the chairman and the other respondents are all in favour of growth. But the boards also have members who are opposed to growth, who believe it is important for the bank to retain its initial philosophy. For them, it is not important to expand this philosophy; the point is that people at Florabank continue to act according to this philosophy. Therefore, the group with sustainability ideals, including the CEO and the chairmen, wants Florabank to grow, and the group with original ideals wants Florabank to stay small and preserve its original philosophy. An argument in favour of growth expressed by the CEO and the other respondents is that the founders of Florabank also started with this intention for the bank. They also indicated that it is not appreciated in certain settings to announce that one supports the story of the original ideals. The chairman of the AAO commented as follows:

> If I would propose to begin the meeting with a lecture from someone who supports the original philosophy of Florabank, then I would see (first name CEO) raise his eyebrows to behind his ears. Because you can't do that in such a setting without consequences, because you see the risk of becoming a sectarian bank. And that is precisely what the founders did not want. I have been told that the DNB proposed this at the time, but the founders, who all believed in the original philosophy, indicated that they didn't want that

> because sustainability doesn't stop with the original philosophy, but is for everyone, and there are only a few people in the country who support the original philosophy, and we believe it is important to disseminate that. If you do that in a sectarian fashion, then everyone turns away from the bank. We have seen that happen in Germany. The bank has also remained small (Interview with chairman of the AAO).

The interviews show that this is a sensitive point for discussion at Florabank. The respondents said that the members of the boards are sometimes very principled in this respect. Regular discussions on this topic also take place internally within the supervisory board and AAO. The chairman of the AAO indicated that he discusses this during the informal conversations with the CEO, who then says that he thinks the chairman should be cautious about how these ideas can grow within the group. The respondent then includes this concern in his consultation (Interview with chairman of the AAO). This story again shows that the CEO tries to exercise control.

Not only is there an internal discussion about ideals, but corporate social responsibility (CSR) is also part of the public debate. There is primarily a discussion about the motivation of CSR, in which one motivation is particular given: money can be earned from sustainability. In discussions about CSR, the tension between economic and social values becomes apparent. Is CSR about profits and numbers, or is it about the intrinsic motivation to actually achieve something for society? In the public debate, Florabank takes a position and indicates that it supports the intrinsic motivation. During the interviews, the respondents indicated that for outsiders it appears that Florabank is not particularly involved with profits and numbers, but that is actually not the case. Nearly all respondents stated that much of the day-to-day practice at Florabank is based on profits and numbers. According to the respondents, money must be earned as well. Economic values are indeed important. According to various respondents, this is due to the fact that the customers want to bank in a sustainable fashion, but they also want to earn interest. Sustainability and profitability are linked together. Florabank states that the values of people, planet and profit are integrated in all its activities, which results in the creation of sustainable

banking (Annual Report Florabank, 2009). On its Internet site, the bank also states that its primary objective is to promote a sustainable society, and that making a profit is not an objective in itself, but is a measure of good banking. In its day-to-day work, the boards of governance are regularly involved with this trade-off, during which it continuously assess risks.

The above narration shows that the various ideals of actors in and around the boards of governance can clash in practice. Notably, the ideals of the CEO are assumed to be the norm, and the other ideals are made subordinate by the historical stories and other arguments. One discussion that takes place in the public debate in the area of social values is about whether the motives of CSR have to do with financial benefit or social benefit. Viewed from the perspective of Florabank customer, the economic and social values are both important. As a result, the actors in and around the boards of governance regularly have to make a trade-off between these values, during which they continuously assess the risks.

5.4 Synthesis

This chapter presents the findings on Florabank case study. The findings are presented on the basis of three types of logic: the logic of the actor, the institute and the practice.

In Section 5.1 the logic of the actors in and around the boards of governance is addressed. The respondents can be characterized as a homogeneous group consisting of middle-aged Dutch males with backgrounds in economics or law. The men hold ancillary positions at foundations and associations in the area of sustainability or which are in line with the original philosophy of Florabank. This background reflects their rational and utility-oriented thinking, but also their involvement with the ideals of the bank. Furthermore, Section 5.1 shows that the history of the founding of the bank appears to play an important role even today. In particular, the engagement with the sustainable character and original philosophy of the bank characterize the organization. This affinity with sustainability can also be seen in the CEO. Besides being an idealist, the CEO is also a pioneer and a visionary. He is accustomed to working in a solution-oriented fashion, and in his stories about how he

thinks about management, the logic of thinking in terms of control is dominant.

Section 5.2 focuses on the logic of the institute. Based on stories about rules and regulation, culture, bylaws, authority and informal structures, it becomes clear which rules of thumb are important in the organization. People comply with the rules and regulations, even though this is not always compulsory, but they believe that this prevents excesses in the financial world. However, there are fundamental reasons to deviate from the Dutch Corporate Code, but this code –due to its "comply or explain" provision – also provides room for such deviation. The bylaws ensure that actors in and around the boards of governance of Florabank understand their formal role and what is expected of them. This is a very important point of departure for the actors in and around the boards of governance. Besides the formal rules, it appears that there is also an informal world within Florabank. In this informal world, the CEO has the space to play a directing and controlling role. The other unwritten rules that can be found in the above institutional logic are the following: You must feel an affinity with the mission of the bank, the CEO makes the final decision, and you must play the role that is expected of you according to the bylaws. These rules can also be described as the institutional logic.

Section 5.3 shows that stories about practice can be used to understand that people in practice are faced with various types of logic which are in conflict with each other. The story about the criticism of rules and regulations shows that the respondents experience the implementation of rules and regulations as very burdensome. This is not only because the rules and regulations have increased enormously, but also because they require much time and energy that cannot be invested in the primary process of Florabank, i.e. sustainable banking. The respondents indicated that they look for the grey areas in the rules and regulations, with the aim of safeguarding their own organizational objectives. The story about informality and formality shows that there is space to choose how one acts, but that one is simultaneously held captive in the system of informal and formal rules. The story about striking a balance between ideals shows that people are struggling not only with the ideals of various

actors in and around the boards of governance, but also with the social and economic values of the customers. And finally, the story about information provision shows that there is an area of tension between dependence and responsibility. Now that the results of the final case study have been described in this chapter, the subsequent chapter focuses on the analysis.



Chapter 6

A narrative analysis



6 A narrative analysis

This chapter presents the analysis of the study into the sensemaking of areas of tension in corporate governance. This chapter consists of a descriptive and an explanatory section. Section 6.1 is descriptive. The starting point for section 6.1 is the theoretical framework of this study (Section 2.5). In this framework or narrative table, the grand narratives, subordinate narratives and counter narratives for both BPF and Florabank are linked with the three narrative concepts: the worldview, the institutional framework and the mode of practice. This has resulted in three grand narratives that are addressed sequentially in in this section: 1) corporate governance is complying with rules and regulations, 2) attaching value to written regulations and 3) balancing between various interests. At the end of each subsection, an overview of a completed narrative table is shown. The explanatory part is addressed in Section 6.2. This section explains the areas of tension and shows the tensions between the narratives (Section 6.2.1) and various levels of the narratives (6.2.2). Section 6.3 describes the similarities and differences within the three narrative concepts (6.2.3). This leads to the concluding section, which provides an answer to the third research question of this study: "Which explanatory factors can be identified in and around the boards of governance in the financial sector that elucidate the tensions in corporate governance?".

6.1 The descriptive part: the narrative table

As stated previously, in this analysis the theoretical framework that emerged from the literature study is used as the starting point (Table 2.2). The next step is to identify the various grand narratives, subordinate narratives and counter narratives of corporate governance and the world view, the institutional framework and the mode of practice. Identifying the narratives in all the data is difficult in practice. There is a sort of "narrative soup". This term was coined by Boje (2001), who argued that narratives are intended to put the "soup" of the collected stories into some kind of perspective (Section 2.2). This narrative soup results from various causes. For example, various topics are mapped out in various contexts. By zooming in on the text, zooming out on the environment

and linking the macro and micro levels with each other (Fairclough, 1992), various narratives can be identified. The following three grand narratives emerged from the analysis: 1) corporate governance is complying with rules and regulations, 2) attaching value to written regulations and 3) maintaining a balance between various interests. These narratives are explained in the subsections below.

6.1.1 Grand narrative I: Corporate governance is complying with rules and regulations

From the study, it emerged that the executives and actors in and around the boards of governance see corporate governance primarily as complying with rules and regulations. In the grand narrative, the respondents at BPF referred to the Pensions Act and the Frijns and Goudswaard parliamentary commissions (Section 4.1.2). At Florabank, the respondents referred to the Dutch Corporate Governance Code and the Banking Code (Section 5.2.1). They comply with the prescribed regulations. When the background of the respondents is examined, it is notable that a significant proportion of respondents from both organizations have a background in law (Sections 4.1.1 and 5.1.1). Both organizations are characterized by actors in and around the boards of governance who have backgrounds in law or who have legal expertise; this also emphasizes the importance of compliance with rules and regulations. In this context, a background in law can be construed as a worldview. In both organizations the respondents have been trained to think and operate based on rules and regulations. They understand what they have to comply with and how to implement the rules and regulations, and they know the language to be used in this process. Notably, the respondents are convinced that it is useful to comply with the rules and regulations. This is because they believe that excesses in the financial sector can be prevented in part by rules and regulations. During the interviews, this utility-oriented thinking repeatedly returned. The prevalent background in economics of the actors in and around the boards of governance of BPF (Table 4.1) and Florabank (Table 5.1) can also be related to this utility-oriented thinking. The utility-oriented thinking can therefore be regarded as a world view within this grand narrative of corporate governance on rules and regulations.

With respect to acting within the rules and regulations, it is notable that the actors in and around the boards of governance use rules and regulations as a means to act legitimately. They do this during a meeting, for example when an executive or another actor in and around the boards of governance presents a plan of approach. During the meeting, it is determined whether the plan is based on the correct legal grounds and whether the resulting actions fall within the statutory norms. Moreover, the results (Sections 4.3.4 and 5.3.1) show that the actors in and around the boards of governance of both organizations take strategic as well as communicative action where rules and regulations are concerned. The strategic action is given shape because the respondents indicated that understanding rules and regulations is an important advantage. On this basis, they can play the game skilfully and can therefore protect themselves when this is required, or they can use this as an argument to get things done for each other. In both organizations, rules and regulations are used as a means to take strategic action, but communicative action is also used. To comply with the rules and regulations, both organizations involve the DNB in implementing certain plans (Sections 4.3.4 and 5.3.1). They indicated that they do this by making the DNB an active part of the process, so this organization can contribute ideas from the rules and regulations. In this situation, the boards of both BPF and Florabank act communicatively. They involve the DNB in their plans without knowing the outcome. The results show that the members of the board of both organizations have a positive attitude about this method of taking action. They like to have the DNB involved at an early stage, and they have the idea that this saves them much time and energy.

Both case studies show that there is a subordinate narrative. At both organizations, the respondents emphasized that they deviate from the rules and regulations in a positive sense (Sections 4.3.4 and 5.2.1). At BPF, the respondents explicitly stated that, due to the cautionary principle, they deviated in a positive sense when writing the recovery plan. In its annual report, Florabank stated that it complies with the Dutch Corporate Governance Code, even though this is not formally required because the bank is not listed on an indexed exchange (Annual Report Florabank, 2009). Although the legal obligation is to report deviations, it is notable that in their reporting, both organizations stated explicitly that they deviate in a positive sense. With respect to the worldview, history

plays a central role in both organizations. At BPF this concerns the history of the industry. In the past, the industry –and the actors in and around the boards of governance as well– has acquired a great deal of experience with and knowledge about rules and regulations. The world-view of the actors in and around the boards of governance consists largely of thinking in terms of rules and regulations based on their professional background. At Florabank, due to the origin of the organization, the actors have an affinity with positive social action (Section 5.1.2). This sense of ethics can also be seen in the background of the actors in and around the boards of governance. Many of the respondents hold ancillary positions at organizations involved with sustainability (Table 5.1.2). They think in terms of wanting to do something good for society, and therefore want to demonstrate that they are also doing good in terms of rules and regulations. At Florabank a normative characteristic is clearly involved as well. They feel that it is a social obligation to comply with the Dutch Corporate Governance Code, even though this is not compulsory according to the regulations. Moreover, the findings have shown that the positive deviation from the rules and regulations in both organizations has to do with the cultural-cognitive characteristic. At BPF, the high ambition level of the pension fund plays an important role in the positive deviation from rules and regulations. The people in the organization endeavour to do better than the other pension funds. At a Florabank the conviction that they are better than other banks also plays a role in the positive deviation from rules and regulations.

The grand narrative about complying with rules and regulations also has a counter narrative. It should be noted that at both BPF and Florabank, a sense of doubt about the usefulness of rules and regulations was revealed throughout the interviews. An example is the narrative about resistance against the organizational model (Section 4.3.2). In practice, people do not always see the usefulness of the rules and regulations. In the eyes of the respondents, they do not yield a direct result, but often lead only to additional work. To symbolize this situation, they regularly use the metaphors "paper tiger" and "decorating the Christmas tree". There are two reasons for this. First, the respondents indicated that they are not only paid to implement rules and regulations, but that they are also expected to provide good leadership to a company or organization. Transaction monitoring is an example of this situation in the banking

industry. Banks are obligated to construct their ICT systems in such a way that they can input lists with hundreds of thousands of names provided by the government. During a specific period, the banks are required to monitor these lists of people regarding unusual transactions. Florabank invested heavily in the ICT system, but the CFO, for example, expressed doubt that this would provide any benefits for the bank. At both organizations, result-oriented thinking is expressed in terms of financial figures and thus in terms of continuity, profit and growth of the organization. This result-oriented thinking, and the corresponding worldview of this counter narrative, is not surprising. In this era, when the financial crisis has placed even more pressure on financial performance (Section 4.1.3), this result-oriented thinking becomes paramount. Attaining results is the most important objective of the organization, and therefore of the members of the boards of governance as well. The training in economics of the actors in and around the boards of governance also enhances the focus on financial performance, including continuity and profit and loss. The members of the boards of governance believe that achieving a good financial performance is their responsibility. However, the time they invest in activities such as mandatory reporting is at the expense of their financial performance. Good financial performance can be defined as a cultural-cognitive characteristic for both boards of governance. The regulative characteristic also plays a role. At BPF, the narratives emphasize that deviation from the rules and regulations is hardly possible, but at Florabank it emerged that there are such possibilities. According to the respondents at Florabank, the Dutch Corporate Governance Code, with its "comply or explain" provision, offers space for one's own interpretation. With respect to the mode of practice it can be stated that both organizations act strategically. The members of the governance board at both organizations indicated that they also look for the grey areas in the rules and regulations in order to see if they can apply them to their advantage. For example, they request legal experts to study whether choosing a certain legal form can yield tax benefits, or ask the DNB to determine if the rules and regulations can be interpreted more broadly.

The second reason is that rules and regulations are not always feasible in practice. The study showed that the actors and members of the boards of governance have the intention to comply with the rules and regulations, but due to the complexity of daily practice, they cannot always do

exactly what the rules and regulations require. For example, because the various branches of Florabank are located in countries with either Anglo-Saxon or Rhineland models, they have to deal with conflicting rules and regulations (Section 5.3.1). At both organizations, the negative association with rules and regulations is also given shape in their opinion of the DNB, and to a lesser extent of the AFM. The respondents at both BPF and Florabank reported that the rules and regulations continue to increase. Some of the respondents see the DNB, and to a lesser extent, the AFM, as the creators of the conditions in which they have to operate, while other respondents see the DNB, and to a lesser extent AFM, as bodies that determine what happens in the organization. A similarity between both groups of respondents is that they all believe that both bodies are exerting more and more pressure on the financial sector. Respondents at both BPF and Florabank used terms such as "box-ticking mentality" and parochialism. They indicated that the DNB pays little attention to the feasibility of their rules and regulations. Notably, the interviews show that both organizations enter into discussions with the DNB (Sections 4.3.4 and 5.2.1). They do not know what the outcome of this approach will be, and are therefore acting communicatively. When BPF submitted its recovery plan, it deliberately indicated that it deviated from the framework, and Florabank regularly holds discussions with the DNB. This approach leads to discussions and to consensus about the result. At both the DPF and Florabank, the players act communicatively.

The above grand narrative on complying with rules and regulations, the corresponding subordinate narrative and counter narrative and the three narrative concepts as described above are summarized in Table 6.1.

Table 6.1 Narrative table for the grand narrative "corporate governance is complying with rules and regulations"

Case study	**BPF**			**Florabank**		
Type of story	**Worldview**	**Mode of practice**	**Institutional framework**	**World view**	**Institutional framework**	**Mode of practice**
Grand narrative **Corporate governance is complying with rules and regulations.**	Background in law of the actors in and around the boards of governance provides legal perspective. Utility-oriented thinking partly due to training in economics and law.	Invoking rules and regulations when this suits the actor (strategic action). Involving the DNB early (parties that are needed are therefore involved in the narrative) (communicative action).	Cultural-cognitive characteristic: Adhering to rules and regulations. Regulative characteristic: Pensions Act and the Frijns and Goudswaard parliamentary commissions.	Background in law of the actors in and around the boards of governance provides legal perspective. Utility-oriented thinking partly due to training in economics and law.	Cultural-cognitive characteristic: Adhering to rules and regulations. Regulative characteristic: the Dutch Corporate Governance Code and the Banking Code.	Invoking rules and regulations when this suits the actor (strategic action). Involving the DNB early (parties that are needed are therefore involved in the narrative) (communicative action).
Subordinate narrative Positive deviation from rules and regulations.	Due to its history, the industry (and the actors in and around the boards of governance) have much affinity with rules and regulations.	The positive deviation from the recovery plan based on the precautionary principle (strategic action).	Cultural-cognitive characteristic: We are ambitious and want to be virtuous.	The actors also have ideals. There is affinity with improving society. Actors have ancillary positions in the area of sustainability.	Normative characteristic : Certainly in view of the mission of the bank, they want to adhere to the legal norms like other banks (even though they are not formally obligated). Cultural-cognitive characteristic: We are different than other banks and one stroke better than the rest.	Comply with the Dutch Corporate Governance Code, even though this is not obligatory in legal terms. (strategic action).

Case study	BPF			Florabank		
Type of story	**Worldview**	**Mode of practice**	**Institutional framework**	**World view**	**Institutional framework**	**Mode of practice**
Counter narrative Rules and regulations are not always feasible due to practical problems and organizational interests.	Due to their character traits, the actors want to achieve good results for their constituency and for the pension fund (result-oriented thinking).	Seeking the grey areas in the rules and regulations (strategic action). Enter into discussions with the DNB (communicative action) by deliberately not filling in all parts of the recovery plan.	Cultural-cognitive: Results-oriented action. "We must implement the collective mandate as well as possible to ensure that the interests of the employers and employees are properly represented". Regulative characteristic: There is room for deviation (they must comply with requirements of the recovery plan).	Character traits and background of the members of the governance board, especially the CEO: entrepreneurial and visionary. This leads to results-oriented thinking.	Cultural-cognitive: Results-oriented action. "I also have a company to run". Regulative characteristic: There is room for deviation (comply or explain).	Seek the grey areas … deviating from the Corporate Governance Code (strategic action). Enter into discussions with DNB (communicative action).

6.1.2 Grand narrative II: Corporate governance is attaching value to written rules

Virtually all respondents, when asked what corporate governance means, referred not only to rules and regulations but also to bylaws and internal regulations. At Florabank, the actors also referred to the corporate principles. The second grand narrative concerns bylaws, internal regulations and corporate principles, which I refer to collectively as written rules. The difference with the previous grand narrative is that rules and regulations are imposed by external regulating authorities and that written rules are formal matters that the organization gives shape to itself. Regarding the bylaws and internal regulations of both organizations, it can be noted that the tasks and roles of the actors in and around the boards of governance are clearly defined. For example, the supervisory council and the accountability body at BPF and the supervisory board at Florabank have a supervisory role, and the participants council at BPF and the works council at Florabank have an advisory role. The grand narrative shows that when the actors do not comply with the prescribed formal rules or deviate from them, they are held to account or they feel that their behaviour is not appreciated. For example, the chairman of the supervisory board at Florabank stated that he is aware that he should not take an executive role, but should remain independent.

The approach of adhering to the bylaws, internal regulations and corporate principles is inherent to the culture of both organizations (Sections 4.2.2 and 5.2.3). At BPF, due to the history of the industry, the actors have affinity with formal processes and procedures. At Florabank, most of the actors have worked for a long time at Florabank or another bank and are accustomed to working with formal processes and procedures; banks are traditionally permeated with such processes and procedures. The actors in and around the boards of governance at both organizations are accustomed to thinking in terms of formal corporate governance. The cultural-cognitive characteristic that plays a major role here is the unwritten rule: a promise is a promise. Not only the cultural-cognitive characteristic plays role, but also the written rules or the regulative characteristic. The bylaws must be written according to the provisions in the Pensions Act (Article 111: bylaws), and if the bylaws of an industry-wide pension fund are amended, the DNB must be informed. The bylaws of Florabank must

comply with the Civil Code (Article 123), which states that the AVA must approve a proposed amendment to the bylaws.

In this grand narrative, people at both BPF and Florabank act strategically as well as communicatively. The interviews showed that actors in and around the boards of governance frequently refer to bylaws when this suits them. For example, when responding to requests from other actors, members of the governance board frequently look at the bylaws, and if a request is not in accordance with their organizational aim, they do not refer to the bylaws, but use other arguments. In other situations, for example when the situation requires an amendment to the bylaws, at both organizations communicative action is used. At BPF, it is often the case that the initiative may originate from either the employers organization or employees organization, and that, following consultation with the chairman of the employers organization and the secretary of the employees organization, the director of executive affairs makes a proposal that is discussed in the board meeting. And at Florabank it is often the case that the initiative for amendment originates from the CEO and is then discussed in advance with the chairman of the AAO, who then considers whether to discuss this (if the situation allows this) in advance with the members. In short, all parties are not always involved, but the parties who must give their formal permission are involved: the AVA and the executive board. The institutional logic and the implicit rule that the actors play the role that they are expected to play are therefore related in part to this grand narrative.
Like the previous one, this grand narrative also has a counter narrative. For both organizations, an informal world also exists in parallel to the formal world. At BPF the account manager of Portfolio Management described the formal meetings as "a stage play" (Interview with account manager Portfolio Management) (Section 4.3.3). The reason for this is that preceding the formal meeting, agreement has already been reached between the employer and employee organizations, after which the formal meeting only ratifies the agreement. The cultural-cognitive characteristic of BFP is that the informal organization is well organized. The research shows that it is very important to know what the constituency wants and that the representatives of the constituency must be able to predict this accurately. The respondents at BPF keep this in mind

continuously; an important unwritten rule is therefore: "Do not make any decisions that are in conflict with the interests and ideas of the constituency" (Section 4.2.4). The case study of Florabank shows that the cultural-cognitive characteristicalso plays a role because the bank is in a transitional phase as it grows from a small to a midsized organization. According to the respondents, certain matters must be given a more formal shape (Section 5.2.2). The fact that Florabank is in a growth phase is also related to the fact that actors at the bank regularly choose an informal management solution (Section 5.2.2). Besides the cultural-cognitive characteristic, the personality traits of the actors in and around the boards of governance also play a role. The paternalistic attitude and result-orientation of the CEO ensure that he has a tendency to solve problems quickly and in an informal fashion.

The personal characteristics of the actors in question determine whether they act strategically or communicatively. Besides the personality of the actors in and around the boards of governance, some situations also require quick decisions. For example, at Florabank a financial question about participating in a specific fund must be presented to the supervisory board. In such situations, people must act quickly. According to the bylaws of Florabank, the entire supervisory board should meet and make a clear recommendation to the executive board. In practice, due to the lack of time, the CEO chooses to coordinate matters on the phone with the chairman of the supervisory board. This chairman then considers whether he can make the decision, or whether it is necessary to coordinate with the entire board. In some cases, he takes the responsibility of making decisions, even though the bylaws require consultation with the entire board. This example clearly shows that the actors in and around the boards of governance have the intention to follow the formal procedures, but this is not always feasible in practice.

Table 6.2 provides a summary of the second grand narrative on attaching value to written rules, the corresponding counter narrative and the three narrative concepts.

Table 6.2: Narrative table for the grand narrative "corporate governance is attaching value to written rules"

Case study	**BPF**			**Florabank**		
Type of story	**Worldview**	**Institutional framework**	**Mode of practice**	**Worldview**	**Institutional framework**	**Mode of practice**
Grand narrative **Corporate governance is attaching value to written rules.**	The actors have backgrounds in the industry (employers organizations, participants council) or in trade unions (employees organizations), where they have affinity with formalization.	Cultural-cognitive characteristic: A promise is a promise. Regulative characteristic: Example: When amending the bylaws, the DNB must be informed. Normative characteristic: corporate principles and compliance with them.	Strategic application of written rules (strategic action). Consultation to achieve agreement about amendments to the bylaws (communicative action).	The work experience of the actors in and around the boards of governance is often at banks, where people are accustomed to thinking in terms of processes and procedures.	Cultural-cognitive characteristic: A promise is a promise. Regulative characteristic : Example: AVA has the authority to change decisions Normative characteristic: Corporate principles and compliance with them.	Strategic application of written rules (strategic action). Consultation to achieve agreement about amendments to the bylaws (communicative action).
Counter narrative There is also an informal world.	Based on their competencies, the actors also have the mandate to coordinate matters informally with their constituency, and also feel that this is their responsibility.	Cultural-cognitive characteristic: It is important to know what the constituency wants.	Use the informal world to machinate, make alliances and manipulate (strategic action). Consult informally to coordinate matters and achieve consensus (communicative action).	The paternalistic attitude and solution-orientation of the CEO (personality trait) often result in matters being arranged informally.	Cultural-cognitive characteristic: Florabank has grown into a middle sized organization very recently, so the actors have little historical basis for solving problems informally.	Use informal consultation to machinate, make alliances and manipulate (strategic action). Consult informally to coordinate matters and achieve consensus (communicative action).

The area of tension results from the contrasts between the grand narrative and the counter narrative. Although the actors attach value to the formal world, they also appreciate the informal world in which other rules apply. These written and unwritten rules are not always equivalent. They are two different worlds. This can be illustrated with the narrative about the executive board meeting (Section 4.3.3), where some actors indicated that this meeting is more like a ritual or circus than a meeting in which consensus is achieved. Preceding the meeting, an entire space is created in which members of the board can coordinate matters with their constituencies and other parties. It is also an unwritten rule that new business cannot be presented in the boardroom. But this cannot be because this leaves no space for the informal world. Remarkably, the informal world is visible at BPF. The members of the board consult jointly beforehand and also identify the difficulties with the constituency. At Florabank, the informal world is less visible for the other actors in and around the boards of governance. The area of tension at Florabank between formality and informality is addressed especially in Section 5.3.2, which is about balancing between formality and informality. According to various respondents, Florabank is experiencing a growth phase from informality to formality; many problems were previously solved informally, even though the situation actually required formal solutions. Many matters are coordinated informally, but are not always visible for the other actors in and around the board governance or become visible too late. Many respondents expressed difficulty in dealing with this, such as the chairman of the works council who indicated that he was expected to formally approve the reorganization, but was informed about this too late, or the supervisory board, which is also required to give formal approval for certain matters, but ended up reading about this in the newspaper. It can also happen the other way around. In such cases, actors are intensively involved on an informal basis with the project, while at a later time they must make a formal decision about the same project. An example of this is the informal involvement of the supervisory board in the strategy day, but at a later time it must make a formal decision on the strategy (Section 5.3.2).

6.1.3 Grand narrative III: Corporate governance is balancing between interests

The third grand narrative is about balancing between interests. Although the theme of the grand narratives for both case studies is the same, the interpretation of the grand narrative and the counter narrative is different. Unlike the structure of the other subsections, the grand narrative and counter narrative of BPF are presented first, followed by that of Florabank.

The grand narrative of BPF starts with the Pensions Act, which stipulates that representatives of employers and employees organizations both have seats on the executive board. For that matter this construction applies not only to the executive board, but also to other bodies such as the supervisory board and the accountability body. This is sometimes referred to as organized solidarity (Section 4.2.2). The underlying idea is that by giving membership on the board to representatives of employer and employee organizations, the executive board will consider the interests in a balanced fashion. In the grand narrative, it is notable that – due to this model– the opposing interests are soon apparent. When discussing a point on the agenda, a member of the board must predict how his constituency will think about this point and then take a correspondent position. The case study showed that members of the board representing the employers frequently insist that they want to pay as little as possible, and the members representing the group of employees aim for as much pension accrual as possible. By holding formal and informal consultations with their constituency, these actors know how their constituency thinks about certain issues. In nearly all the interviews at BPF, the respondents emphasized that the members of the board are socially engaged with the stakeholders. This can be described as the world view of BPF. In this grand narrative, it is striking that the regulative characteristics for the interests of the stakeholders, such as the Pensions Act or the recommendations of the Commission on Investment Policy and Risk Management (Frijns Commission) are dominant. Besides the regulative characteristics, the cultural-cognitive characteristic is also dominant. At BPF, the respondents expressed confidence that co-governance by representatives of employee and employer organizations safeguards a balanced consideration of interests; they believe it is important to be faithful to their constituencies. This cultural-cognitive

characteristic determines the implementation of a governance position at a pension fund; when a member of the governance board representting an employee or employers organization is not faithful to his constituency, he loses credibility with both the board and the constituency. Remaining faithful to the constituency means that actors in and around the boards of governance tend to act strategically.

Unlike the grand narrative, the counter narrative of BPF is not about balancing interests, but about pursuing the collective mandate. According to the Pensions Act, the social partners (trade unions and employers) must give the governance board a mutual mandate, and the board must accept this mandate (Article 102a). The mandate for the board of BPF is to invest properly so that in the future there are enough assets to pay pensions or earn the desired yield. The narrative of BPF shows that the members of the governance board all have the intention to pursue the public interest. The results show that self-interest is also a component of this counter narrative. However, it should be noted that this aspect plays a subordinate role. Neither BPF nor Florabank use financial stimuli such as bonuses. At BPF, people receive the agreed salary they would also earn in the sector (this is different for members of the governance board in the rest of the financial world). The self-interest at BPF is related to the fact that actors in and around the boards of governance have the freedom to promote their own pet projects (Section 4.2.3). The results show that communicative action is a strong element in this counter narrative. The people at BPF realize that they have a collective mandate, and from this perspective they attempt to achieve consensus in and around the boards of governance. The results from BPF show that the chairman, the board secretary and the director of the Executive Office chairman and secretary have the space in drawing up the agenda to act strategically (Section 4.3.3). According to the respondents, little or no strategic action is taken at present, but a previous chairman did take such action. The personality of the chairman and the composition of the rest of the board appear to play a major role in the amount of strategic action.

At Florabank, the grand narrative is structured differently. The stakeholders are not represented in the governance model, but there are boards of governance that are appointed to keep the interests in balance. At Florabank the portfolios are divided between three board

members. In general terms, the CEO holds the portfolio on strategy, de CFO the finance portfolio and the COO the operations portfolio. The CEO and CFO bear the statutory responsibility (Section 5.2.3). The CEO of Florabank is the "spider in the web" (Section 5.2.5) regarding the coordination with the various stakeholders. He also takes the initiative in this respect and is described as directing the management of constellations. The CEO himself also sees this as his task and referred to this as maintaining a balance in the management of constellations (Section 5.1.3). At Florabank, everyone accepts that the CEO has taken on this directing role. This is also the role that people expect him to play. The cultural-cognitive characteristic consists of generally accepted beliefs. Besides the cultural-cognitive characteristic, the regulative characteristic is also dominant; this is similar to the situation at BPF. The legislation applying to the stakeholders, such as the Work Councils Act for employees and the rules and regulations of the AFM for customers, are the frameworks for the actors in and around the boards of governance. In this grand narrative, it is primarily strategic action that is strongly apparent. To illustrate this, I will use an example in which the CEO, on the day before the interview, was approached by a member of the commercial staff who informed him that more customers were asking whether the bank could also be open in the evenings. The CEO decided not to take action on this information, because he thought that the employees would be unhappy about such a change. He thought that this would disrupt the relationships and consequently affect the balance between various actors. The CEO then decided that he would perhaps bring up this topic during customer days.

The counter narrative shows that the members of the governance board have joint responsibility to pursue the organization's interests. It also shows that the CEO of Florabank is visionary and result-oriented. These character traits are greatly appreciated by the respondents, but at the same time they also indicate a weakness of the CEO: due to his focus on results, he “forgets” to listen to other actors. According to the respondents this is typical behaviour for many CEOs in the financial sector. Similar to BPF, in this counter narrative of Florabank the cultural-cognitive characteristic and the regulative characteristic are dominant. The cultural-cognitive characteristic is expressed primarily in the pursuit of the organization's interest, in which the mission of the bank is an

important component. All actors in and around the boards of governance stated that they pursue a higher ideal: a better society. They want to achieve this by working in the financial sector. The regulative characteristic is expressed by the fact that the CEO and CFO are both statutory directors. This means that they can be held personally liable for mismanagement. If a statutory director is subject to serious allegations, he can be held liable for the damage suffered by the company, and in case of bankruptcy he can be liable for the entire shortfall in the assets. In contrast to the counter narrative of BPF about the collective mandate in which communicative action is dominant, this counter narrative shows that strategic action is dominant at Florabank. However, a remark must be made in this context. The actors in and around the boards of governance not only act strategically, they also act communicatively. During the informal preliminary discussions between the CEO and the chairmen, for example, time is made available to achieve consensus on certain matters.

Both case studies show that there is a subordinate narrative which is the same for both organizations: acting in accordance with social convictions. This narrative emphasizes that the societal context is important for taking action in and around the boards of governance. The image that society holds, or that will be created, about the actors in and around the boards of governance of the financial sector causes the members of the board to be alert (Sections 4.3.5). The respondents stated their awareness that their behaviour can result in a public debate in which their organization and their corresponding role can come under fire. This can have serious consequences not only for the organization (fewer clients), but also for the reputation of the members of the board. An example that shows that the opinion of society is important and that the media play a major role in this process concerns the *Zembla* broadcast on pension funds that invest in companies or funds that finance cluster munitions (Section 4.3.5). At both organizations, the members of the board, internal supervising authorities, shareholders and clients were questioned about this and discussions were held. These discussions primarily concerned the normative characteristic. At both organizations, it emerged that it is essentially a social obligation to comply with this normative characteristic. At BPF, the respondents referred to the responsibility of the sector and at Florabank they referred to the mission

of the bank. Figure 2.3.2 shows that the normative characteristic is dominant in this context. The respondents also emphasized that events in the media are given increasing attention. The reporting on the cluster munitions resulted in both organizations scrutinizing their investment policy.

The interviews with respondents show that smaller banks and pension funds look at how larger banks and pension funds act. They essentially imitate the large banks and pension funds. According to the respondents, when the large organizations respond to or anticipate such events, then the small organizations almost always follow suit. This is equivalent to the cultural-cognitive characteristic in which the imitative aspect plays a role (Figure 2.3.2). At Florabank the ideals of the people in the organization are compatible with the ideals of society. The social perspective is moving increasingly in the direction that organizations should be sustainable. Sustainable banking therefore suits the present era. The cultural-cognitive characteristic of the organization is compatible with the social perspective.

With respect to the mode of practice, the story about dealing with social issues (Section 4.3.5) shows how actors in and around the boards of governance consider the risks for the sector, the organization and themselves before they decide to participate in a societal debate. The actors at both BPF and Florabank act strategically. For example, actors in and around the boards of governance deliberately allow some input for the societal discussion to be made on behalf of other bodies such as the NVB or the VB (Section 4.3.5). In this way the actors implicitly participate in the debate, but incur the smallest risk of damage for the organization or the individual members of the board. In a different situation, actors do not comply with a request from the media because the risk that they will cause damage to the organization is too great. And in still other situations, they express their opinions in such a politically cautious fashion that they cannot be held to account for the content. The story about is study shows that actors at both BPF and Florabank act strategically in this narrative. BPF primarily stays out of the spotlight and rarely participates in the public debate, while Florabank actually advertises itself in the debate. The bank attains much recognition by associating itself with topical theme of sustainability, and it present itself as a bank that has better social aims (Section 4.3.5). It should be noted

that actors in and around the boards of governance of Florabank also act strategically in their contact with society. Its actors seek the public debate to initiate discussions on sustainability. They do this not only as representatives of their organization, but also in a personal capacity or on behalf of another organization with the intention of realizing their mission: the pursuit of a better society.

The above third grand narrative on maintaining a balance between interests, the corresponding subordinate narrative and counter narrative and the three narrative concepts are shown in Table 6.3.

Table 6.3: Narrative table for the grand narrative "corporate governance is maintaining a balance between interests".

Case study	**BPF**			**Florabank**		
Type of narrative	**Worldview**	**Institutional framework**	**Mode of practice**	**Worldview**	**Institutional framework**	**Mode of practice**
Grand narrative **Corporate governance is maintaining a balance between interests.**	Member of the board represents a constituency (structure). Trustworthy representation of constituency.	Cultural-cognitive characteristic: Historical values collectivism and solidarity. Faithful to the constituency. Regulative characteristic: The governance board consists of representatives of stakeholders (Pensions Act).	Listen to and coordinate with the constituency, and act on this basis. (communicative action). For the individual member of the board, there is room to act strategically (role of chairman and board secretary, make a choice oneself about what to tell the constituency, etc.).	CEO is directive (personality trait). Trustworthy in his intention to pursue the mission.	Regulative characteristic: Interests of employee (WOR), shareholder (Corporate Code) and customer (AFM). Cultural-cognitive characteristic: focused on control.	Navigating between interests (strategic action). For the individual member of the governance board, there is space for communicative action (informal consultation with chairmen creates space for consensus).
Subordinate narrative Corporate governance acting in accordance with the social view.	Awareness of social views.	Cultural-cognitive characteristic: imitating large pension funds. Normative characteristic: As a sector, you cannot …	Adapt to society, e.g. adapt policy (strategic action). Justify why they take action or not (strategic action). Political behaviour (wait until the storm has passed) (strategic action).	Awareness of social views.	Cultural-cognitive characteristic: Beliefs/ideals are compatible with social view. Normative characteristic: Social obligation (as a sustainable bank you cannot…).	Adapt to society (strategic action).Justify why they take action or not (strategic action). Political behaviour (wait until the storm has passed) (strategic action). Use media positively to participate in societal views and to reach consensus on sustain-ability (strategic action).

<u>Counter narrative</u> Corporate governance is pursuing the collective interest (BPF) and organizational interest (Florabank).	Members of the governance board are socially engaged with the pension fund (they want to protect the interests of stakeholders).	Cultural-cognitive characteristic: Convinced that organizes solidarity is effective. Regulative characteristic: The pension funds have a mandate based on rules and regulations (Pensions Act 102a).	Representatives of employers and employees make decisions quickly and professionally based on the idea that they have a collective mandate (communicative action). Having pet projects and not sharing knowledge about them (strategic action).	Members of the governance board (especially the CEO) are visionary entrepreneurs and pioneers in achieving the mission.	Cultural-cognitive characteristic: Convinced that the mission of the bank is effective. Regulative characteristic: The statutory directors are personally liable.	Executive decisions are based on the organizational interest (strategic action). The directive role of the CEO provides space to act strategically (certain people are not invited or asked to take positions).

The study shows that corporate governance is a dynamic concept which changes continuously. This dynamic can be explained by the changes in the three grand narratives of corporate governance. According to the respondents, the three most important changes in the area of corporate governance are the following: the increasingly stringent rules and regulations, the increasing demands of the stakeholders (participants who want more or customers who demand more) and the increasingly outspoken view of society on boards of governance in the financial sector. For that matter, these major changes can all be placed within the developments described in Section 1.2. The increasing rules and regulations concern the proliferation of law and the increasing demands of stakeholders and society, who increasingly have an opinion on the democratization of governance policy (Section 1.2). Because these developments and events are taking place in rapid progression, the content of the narratives also changes rapidly. For example, the Tabaksblat[71] Commission (2003), Frijns Commission[72] (2009), the Banking Code (Commissie Maas, 2009) and the Principles for Good Pension Management (2006) have caused the rules and regulations applying to banks and pension funds to change almost continuously; as a result, the actors in and around the boards of governance must comply with different, and increasingly strict, requirements. This also applies to the other developments. Because stakeholders, including customers and participants, have more and different demands, the content of the narratives about customers has changed. And the fact that society is becoming increasingly involved with boards of governance means that the actors in and around these boards have to be informed about the continuously changing developments and events in the public debate and in the corresponding public opinion.

71 Tabaksblat was the chairman of the Tabaksblat committee. He was a former CEO of Unilever.

72 The Frijns Commission under the leadership of Prof. Dr. Jean Frijns, former chairman of the ABP Pension Fund and Professor of Investments at Vrije Universiteit Amsterdam.

6.2 The explanatory part: analyzing the tensions

The analysis has shown that there are various tensions, which are explained in the following subsections.

6.2.1 Tensions between the grand narrative and counter narrative

Table 6.4 provides an overview of the three narratives of corporate governance. From this table it can be seen that there are few subordinate narratives and that every grand narrative has a counter narrative. According to De Heer et al. (2010), this could mean that the grand narratives of corporate governance are powerful; the less space there is for a subordinate narrative, and the sooner counter narratives emerge, the more powerful the concept becomes (De Heer et al., 2010).

Table 6.4 Overview of three grand narratives of corporate governance

Grand narrative	Subordinate narrative	Counter narrative
Adhering to rules and regulations.	Positive deviation from rules and regulations.	In practice, rules and regulations are difficult to implement.
Attaching value to written rules.	-	There is also an informal world.
Maintaining a balance between various interests.	Acting in accordance with the social view.	Pursuing the collective interest (BPF) and the organizational interest (Florabank).

The results of the study show that there are tensions between the grand narratives and counter narratives (Sections 6.1.1, 6.1.2 and 6.1.3). The findings revealed that certain situations cause tensions to increase. Below these areas of tension and the situations in which they occur are unraveled.

Area of tension I: Adhering to rules and regulations versus difficulty with implementation in practice.
The tensions in this narrative is about rules and regulations. On the one hand, people want to comply with the rules and regulations (Section 4.1.2, 4.3.4, 5.3.1), but on the other hand, this is not always feasible due to practical problems and organizational interests (Section 4.3.4 and 5.3.1).

The results show that actors in and around the boards of governance in this area of tension act situationally. They try to find sufficient room to act within the rules and regulations. For example, they have legal experts investigate whether specific legal constructions can be found that are more advantageous. At the same time, they also do not want to take the risk of being held accountable for violating the rules and regulations. The actors move within this grey area, as shown by case studies of BPF (Section 4.3.4) and Florabank (Section 5.3.1). In this way, the actors sometimes enter into discussions with the DNB to see if there is space in the rules and regulations, also with the aim of involving the DNB in the plans so that they do not commit legal violations. The actors in and around the boards of governance carefully consider the contacts they make and the space that they take with respect to the rules and regulations. They consult about this and choose a strategic approach in which the risks are weighed. In summary, the results show that when major interests of the organization are at stake, actors in around the boards or governance become involved in the areas of tension between the rules and regulations and the practical problems on the one hand and the organizational interest on the other.

Area of tension II: Attaching value to written rules versus the informal world.

Although the actors attach value to the formal world, they also appreciate the informal world in which other rules apply. The formal and informal world are two different worlds. This can be illustrated with the narrative about the executive board meeting at BPF (Section 4.3.3), where some actors indicated that this meeting is more like a ritual or circus than a meeting in which consensus is achieved. Preceding the meeting, an entire space is created in which members of the board can coordinate matters with their constituencies and other parties. The tension at Florabank between formality and informality is addressed especially in Section 5.3.2, which is about balancing between formality and informality. According to various respondents, Florabank is experiencing a growth phase from informality to formality; many problems were previously solved informally, even though the situation actually required formal solutions. Many matters are still coordinated informally, but are not always visible for the other actors in and around

the board governance or become visible too late. Many respondents expressed difficulty in dealing with this, such as the chairman of the works council who indicated that he was expected to formally approve the reorganization, but was informed about this too late, or the supervisory board, which is also required to give formal approval for certain matters, but ended up reading about them in the newspaper. It can also happen the other way around. In such cases, actors are intensively involved on an informal basis with the project, while at a later time they must make a formal decision about the same project. An example of this is the informal involvement of the supervisory board in the "strategy day", but at a later time it must make a formal decision on the strategy (Section 5.3.2). Another example of this second area of tension is where a member of the board of BPF was on the committee to write a communication plan, but also had to approve this plan. The results show that actors in and around the boards of governance are involved in the tension between formality and informality and find it difficult to play their formal roles in the grey area between formality and informality.

Area of tension III: Maintaining a balance between various interests and pursuing the collective interest (BPF) and the organizational interest (Florabank).

On the one hand, a member of the executive board of BPF wants to maintain a balance between the interests of the employee organization and the board, but on the other hand he also wants to pursue the organizational interest. This relates to the narrative of the dual roles (Section 4.3.1). It should be noted that not only the members of the governance board have to deal with the phenomenon of dual roles, but also other actors at BPF. For example, the account manager of the Pension Administration has to deal with both his constituency and with the organization. The members of the governance board of PPF, particularly the director of the Executive Office, put pressure on the account manager to deliver good quality, but at the same time, he has to deal with a constituency that cannot always supply the desired quality. The tension of the phenomenon of dual roles increases when major interests are at stake and the situation requires a clear standpoint. When the member of the governance board of an employee organization at

BPF is asked to take a standpoint on whether indexation is required, then this area of tension becomes active. The constituency then puts its representatives under pressure to represent their interests. On the one hand, the representative of the employee organization has the mandate to be faithful to his constituency, but on the other hand, from his role as a member of the governance board he must acknowledge that this is not advisable when considering the continuity of the pension fund. The results show that when this situation occurred at BPF, a decision against indexation was made within five minutes. People acted in accordance with the organizational interest. The members of the governance board were able to justify this decision adequately to their constituency. However, if the constituency does not accept a decision –which has never happened at BPF– the situation can escalate and even lead to strikes. For that matter, the respondents at BPF indicated that this was not always the case with every member of the governance board (interview with investment committee adviser). The results show that this has to do with personality traits of the members of the governance board and the composition of the board (Section 4.1.1). The previous governance board of BPF focused much more on serving the interests of the constituency, and the collective mandate was given much less attention.

At Florabank, the tension between keeping various interests in balance and the organizational interest was also addressed by the respondents. This can be illustrated by the narrative about the clash between ideals (Section 5.3.4). The CEO acted in accordance with the belief that he had to keep the various interests in balance. The narrative about ideals shows that there are essentially two types of ideals at Florabank. There are stakeholders who support the growth of the organization and stakeholders who believe that growth is not very important at all, but want to adhere to their original principles. These differing beliefs create a conflict within the organization. On the one hand, the members of the governance board have to keep the various interests in balance, and on the other hand they must pursue the organizational interest. The personal vision of the CEO is in accordance with the organizational interest: the pursuit of growth. He chooses to carry out this vision. Section 5.3.4 illustrates how he demonstrated to the organization that is carrying out his vision, and that the other actors (chairman of the AAO) are expected

to follow suit. In a consultation with the chairman of the AAO, he indicated that the chairman should prevent this conviction (that growth is not important) from taking root in his group. The chairman, who shares a personal preference for the vision of growth with the CEO, is also faced with tension. On the one hand, he has a personal preference, but on the other hand, he represents a constituency and wants its voice to be heard. He wants to maintain a balance between the various interests. This example illustrates the various areas of tension between the interests at play.

Regarding the aforementioned areas of tension between grand narratives and counter narratives, it can be said that in a situation in which the actors in and around the boards of governance have major interests, the areas of tension become apparent. Besides the above mentioned areas of tension, there are also areas of tension within and between the levels of narratives on corporate governance.

6.2.2 Tensions between the levels of narratives

In the footsteps of Gabriel (2004) the several stories in chapter 4 and 5 shows there are personal, organizational and societal narratives. The present study focused on the organizational level, but the personal level and the societal level both influence the organizational level. For example, it is notable that the narrative of the CFO of Florabank, who has a background in law and who is responsible for the legal activities on the board, starts with rules and regulations, goes on to the various interests and only then addresses the written rules. The case study of BPF shows that the chairman of the supervisory board looks at corporate governance in an entirely different sequence. He and the supervisory board begin with written rules and then look at whether the board has followed the correct processes and procedures.

Besides the individual level, the study shows that the societal level of the narrative also affects the organizational level (Section 4.3.5). Figure 6.1 shows the three grand narratives at the societal level shown on a timeline. In the much publicized case of investments in cluster munitions and the sequence in which the three narratives are given attention in the case studies. This figure emerged from the respondents' explanation of how the societal level of corporate governance affects the organizational level. As a result, a pattern in the various narratives became visible, as

experienced by the actors in and around the boards of governance. The first period, or the starting point in the media, is a story about an unbalanced allocation of interests. The newspaper article in Section 4.3.5 is an example of this starting point, in which the third grand narrative about interests is dominant. This concerns the discrepancy between the various interests: those of pensioners, investors and society. This involves a clash between economic and social interests due to various factors. A prohibition on investments in cluster munitions would mean smaller pensions for current and future pensioners, because these investments are very profitable. At the same time, the media and various interest groups emphasized that investment and cluster munitions is irresponsible behavior, which has severe consequences for society at large. The situation shows that the starting point of the cluster munitions controversy concerns the narrative about balancing between interests. The *Zembla* broadcast initiated a societal debate in which there was an unbalanced allocation of interests: the incomes of pensioners versus the social values of the rest of the world. The first narrative about rules and regulations was virtually absent at this starting point, while the second narrative about attaching value to formal processes and procedures became more dominant.

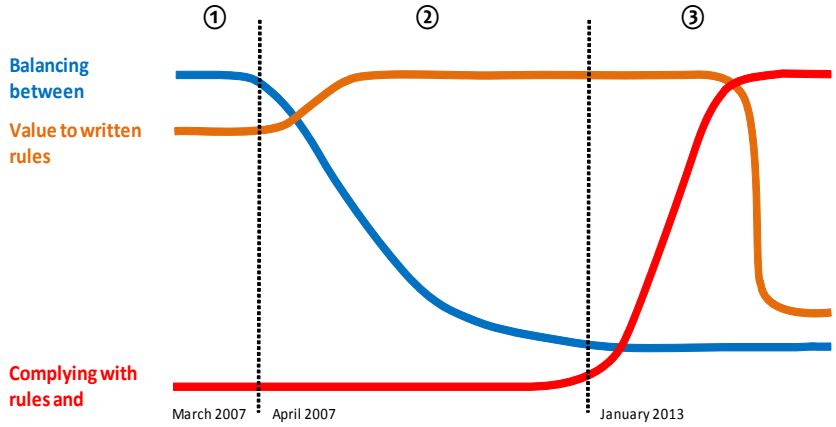


Figure 6.1 The three grand narratives at the societal level shown on a timeline

This resulted in the start of the second period in which the actors in and around the boards of governance were initially involved with the second narrative. In the interviews, the majority of actors regularly referred to the fact that when something appeared in the media about a topic such as cluster munitions or other precarious topics, this certainly came up for discussion the next day or during the next meeting (Section 4.3.5). The internal supervising authorities, members of the governance board, shareholders (Florabank), Participants Council (BPF) and customers start asking each other questions for example whether cluster munitions play a role in the organization concerned. According to the respondents of BPF and Florabank, the focus was on large banks and pension funds and then on their policies. In the media, the initial focus was also on the larger banks and pension funds, and quickly shifted to the second narrative. Very soon after the *Zembla* broadcast, newspaper articles appeared about other financial organizations that were investing in cluster munitions. For example, the initial media attention was on ABP and PGGM (NRC, 20 March 2007).

During the third period, the sequence of narratives changed again, resulting in more attention for rules and regulations. On the first of January 2013, a law banning investments[73] in companies involved in the production of cluster munitions went into force. There was less attention for the unbalanced allocation of interests and for attaching value to internal processes or procedures (written rules). This is partly because the investment policy had already been implemented in many cases.
A salient feature of Figure 6.1 is that the first narrative about interests passed relatively quickly, and that the attention shifted rapidly to the second and third grand narratives, which are much more about the institutionalization of agreements, but not about the moral roots of the matter. It is notable that the debate was rarely waged on the fundamental point that financing clustermunitions means that pensioners will receive lower benefits. It is striking that most actors in and around the boards of governance clearly addressed the consequences for pensio-

73 The new regulations are contained in the Amending Act Financial Markets 2013 (see besluit, artikel III).

ners of the change in investment policy. This input was virtually absent from the public debate. Actors in and around the boards of governance stated that they did not dare to say much on this topic due to the potential harm to their reputation.

The above shows that the individual and societal level of the narrative affects the organizational level, but these levels of narratives can also clash with the organizational level. This can lead to areas of tension. Examples of these areas of tension are presented below.

Conflict between the individual level and organizational level of narratives
Section 5.3.4 describes how actors in and around the boards of governance argue about the practicality of the organization's ideals. The CEO, the chairman and the other respondents are all in favor of growth, but there is also another group that is opposed to growth. They believe that it is important for the bank to retain its original philosophy. For them, it is not important to expand this philosophy. The latter group believes it is important to continue to act according to this original philosophy within Florabank. One group, including the CEO and the chairmen, thus wants Florabank grow, while the other group wants Florabank to remain small and retain its original character. Section 5.3.4 shows that the CEO is the one who determines that the narrative of growth is adhered to. If someone nevertheless declares that he or she adheres to the second narrative, it is made clear that this is not appreciated at Florabank. Internally (especially in the Supervisory Board and the AAO) this creates tension because the actors in these two bodies espouse different ideals. In the various narratives, personal stories collide with the organizational stories.

Conflict between the societal and organizational level
Respondents frequently spoke of the societal level of corporate governance. They referred to the financial crisis, and in particular to the 'crisis of trust' described in the Sketches of Context preceding chapters four and five. This context is felt by respondents in both case studies as an increase in pressure from different stakeholders such as consumers, DNB and AFM, who pay increased attention to conduct of actors in and around boards of governance (Section 4.1.3). Besides this tension,

Section 4.3.5 shows that there is an area of tension between the societal level and the organizational level of the narrative. From the societal level of the narratives, it is clear that investing in cluster bombs is rejected. Implementing this social norm means that the organizational level is affected: investing in cluster bombs is relatively profitable, and refraining from investing might thus prove costly. If such investments are rejected, then the pensioners must settle for a smaller pension. For the actors in and around the boards of corporate governance, this tension between social values and financial yield occurs at the organizational level. Actors in and around the boards of governance believe that the media play major role in the tension between the societal and organizational levels. Today, cases are often highlighted from the societal level, and there is much less attention to the organizational level. Notably, actors in and around the boards of governance often evade the media to avoid the risk of the media portraying the organization negatively, resulting in damage to its reputetion or that of the board.

In summary, the different levels of narratives result in areas of tension within corporate governance. Following this discussion of the areas of tension in the narratives, the focus now shifts to possible areas of tension within the narrative concepts.

6.2.3 Tensions within the narrative concepts

This section focuses on the three narrative concepts: world view, institutional framework and mode of practice. In this subsection the narrative concepts are explained sequentially. First, based on the ideal types of narrative concepts (Sections 2.4.1, 2.4.2 and 2.4.3), the ideal type that applies to both case studies is determined, followed by the corresponding areas of tension.

The Newtonian worldview is showing cracks

Looking at the worldview column for BPF and Florabank in the narrative table (Table 6.1, 6.2, and 6.3), it is notable that the interpretations of the worldviews are almost identical. The analysis shows that the worldview of the two organizations is dominated by result-oriented, instrumental and utility-based thinking. The dominance of this thinking is not only due to the legal and financial backgrounds of the actors in and around the

boards of governance, but also to the ambition of these actors to achieve objectives for the organization or themselves. These objectives are not just about profits, but also –and especially– about ideals (Florabank) and representing the interests of their constituencies (BPF). Notably, this result-oriented, instrumental and utility-based way of thinking corresponds with the content of the three grand narratives of corporate governance. In the three grand narratives about compliance with rules and regulations, the instrumental character is clearly evident in the importance that is attached to written rules and balancing interests. Furthermore, it is striking that corporate governance is not a moral concept in actors' discourse, while the theory suggests that corporate governance includes ethics (Freeman, 1984).

With respect to worldview, the theoretical component of the study (Section 2.2.3) refers to two ideal types of worldview: the Newtonian worldview and holistic worldview. These ideal types do not exist in social reality as such, but can manifest themselves to a greater or lesser extent. The narratives of the respondents from BPF and Florabank show that the Newtonian worldview is dominant. At both BPF and Florabank, it is assumed that the governance board determines the strategy, objectives and guidelines, makes the choices and that the rest of the organization endorses these choices and follows them carefully. By looking at reality from the Newtonian worldview, one assumes closed models in which the alternatives and circumstances are known. The actors in and around the boards of governance think in terms of manageability, accountability, rationality, competition, optimization of capital, linearity, planning and mitigation (Bommerez & Hoppenbrouwers, 2007). In particular, accountability and manageability are prominent elements in the narratives of respondents at both BPF and Florabank. One example concerns the CEO who uses mechanisms to stay in control, such is the leapfrog model. Leapfrogging, as the name indicates, means that he doesn't always go to the people who are directly under him, but skips one level in order to hear what is actually going on. In the narratives of the respondents at BPF, control is mentioned explicitly, for example how the governance board maintains control over which external experts are engaged.

The dominant Newtonian worldview is confirmed in the narratives by actors in and around the boards of governance. Actors in and around the boards of governance indicated that the personality of board members and the composition of the board determine the actions taken by the board. This shows that the respondents assume that the board determines the strategy and steers the organization. For example, the case study of Florabank shows that the ideals of the CEO determine how action is taken in and around the board. When people adhere to the same ideals, they can show this, but when people adhere to different ideals, this is not appreciated by the CEO (Section 5.3.4). The personality traits of the respondents on the board and the interplay between these personality traits also determine action. For example, the respondents from Florabank referred to the entrepreneurial and visionary traits of the CEO, and the fact that he listens poorly and does not always tolerate contradiction. And the respondents from BPF indicated that the personality traits of the current members of the boards of governance are compatible with pursuing the common goal, but in the past their personalities resulted in them pursuing their own goals. At that time, a dominant charismatic chairman wanted to get his own way much more often, and tolerated little contradiction from other members (Section 4.1.1). These examples provide insight into how actors around the boards of governance also adhere to the Newtonian worldview, and due to this worldview also allow the direction of the organization to be determined by the board. The Newtonian worldview has been shown to be dominant not only in the case studies of BPF and Florabank. In the exploratory interviews with experiential experts, this Newtonian worldview was also dominant elsewhere in the sector. The dominance of backgrounds in law and economics of the actors in and around the boards of governance plays a role in the Newtonian worldview. During their education, respondents learned to think in a utility-oriented and result-oriented fashion. The era in which the actors grew up and currently live can also explain why the Newtonian worldview is dominant. The actors in and around the boards of governance were born after World War II. They grew up in the post-war reconstruction period, during which welfare increased enormously as did methods with which to manage this growth.

It should be noted that at both BPF and Florabank, the narratives have shown that the context leads to doubt about the Newtonian worldview. For example, various respondents (interview with a board member at BPF representing an employees organization, interview with account manager Portfolio Management at BPF, interview with CEO of Florabank and interview with chairman of the supervisory board at Florabank) explained how people have begun to doubt the tenability of financial models due to the financial crisis. According to the respondents, the crisis made it clear that financial issues could not always be captured in a model. This is equivalent to signals from chaos theory, as formulated in Section 2.3.1. Notably, the respondents indicated that not only the financial crisis, but also the present-day context is a problem from their perspective. One example is the story of the CEO of Florabank, in which he explains that he spends all his time managing social relationships (Section 5.1.3). He stated, for instance, that it is difficult for him to keep the freethinkers (journalists and professors) under control in the societal debate, and he wonders how he should tackle this problem. The respondents understand that the environment, such as the social context, is very important, but they do not adhere to the idea that the organization can be managed by providing maximum freedom to individuals (Fox, 1966). Finally, this is all based on thinking in terms of control and manageability, and not on the idea that an appeal can be made to an autonomous, self-organizing and self-correcting capacity[74], which is assumed in chaos theory.

In summary, this section has shown clearly that the Newtonian world-view is dominant among actors in and around the boards of governance but it has also shown that this worldview is not always tenable in the present era. This leads to areas of tension. The study shows that actors in and around the boards or governance do not know how to deal with the uncertainty that resulted when the models failed to work and when the certainty that was taken for granted seemed to disappear (Section 4.1.3).

74 Tetenbaum (1998) described five principles that establish the basis for the control and initiation of self-organization: organizing and sharing knowledge and information, organizing creativity and innovation focusing on teamwork and projects, organizing diversity and ensuring strong core values.

Conflicting characteristics of the institutional framework

The theoretical part of the study refers to three characteristics of the institutional framework: the regulative, normative and cultural-cognitive characteristics dominate discourse (Section 2.3.1). The findings (Table 6.1, 6.2 and 6.3)) show that the regulative and cultural-cognitive characteristics are dominant. Several remarks can be made about this table and the results of the study. First, it is notable that the cultural-cognitive and the regulative characteristics are dominant and the normative characteristic remains subordinate. Notably, the normative characteristic has a subordinate role in both cases (Table 6.1, 6.2 and 6.3). The only grand narrative in which the normative characteristic recurs is the narrative on attaching value to written rules. This concerns the formulation of corporate principles. However, at BPF it is notable that corporate principles are anchored in the Pensions Act, and that each pension fund has a certain amount of freedom to structure the PFG principles (Section 4.1.2) according to its own situation and characteristics. In its annual report, BPF has chosen to link a number of principles with their pension fund. Notably, these themes also returned during the interviews. For example, the interviews showed that people are working actively on expertise and transparency because they believe that these are two important themes within BPF. Furthermore, the normative characteristic returns in two subordinate narratives: the positive deviation from corporate governance (only at Florabank) and compliance with the social viewpoint. At Florabank it is notable that nearly all respondents indicated that they must comply with rules and regulations based on their ideals. It is also notable that reasons of principle are given to justify deviating from the code (Section 5.2.1). In both case studies the normative characteristic is the starting point for wanting to comply with the societal view. This is not based on intrinsic motivation, but more on the reasoning that a sustainable bank or sector cannot deviate from societal values.

Second, the results (Sections 4.2.1 and 5.1.2) show that history plays an important role. For example, at BPF reference is made to the establishment of the pension fund management, during which the employee organizations and employer organizations jointly requested the management to arrange the pension scheme. This was based on the underlying idea that a collective can achieve more than an individual, and on the solidarity of sharing and bearing risks together. The regulative character-

ristic is dominant in the historical narrative of BPF. And at Florabank, the ideals of the founders play an important role. According to the narrative, they wanted to use money as a means to play an important role in improving society. As a result, the cultural-cognitive characteristic becomes distinctive. However, it is notable that the normative characteristic is also referred to in the historical narratives of both organizations and receives much more attention. At BPF, the respondents referred to the traditional social involvement of the sector, and at Florabank they referred to the ideals of the bank: to contribute to a better society. The dominance of the regulative characteristic is also explained by the respondents as follows. Historically, rules, regulations and procedures have played an important role at BPF, while Florabank is currently in a growth phase between a small and middle-sized bank, which means that formal processes and procedures are becoming increasingly important.

The results show that not only the grand narratives and counter narratives clash (Section 6.2.1), but also that the characteristics clash with each other. Table 6.5 identifies the anchors of the grand narratives and counter narratives, and clearly shows which characteristics clash. Table 2.6.3 shows that the tensions in corporate governance concern the regulatory and cultural cognitive characteristics and not the normative characteristics. Clashes occur within cultural-cognitive characteristics and regulative characteristic. For example, in the grand narrative about attaching value to written rules, in the cultural-cognitive characteristic the rule is expressed that "a deal is a deal". At the same time in the counter narrative, from the cultural-cognitive characteristic it emerges that is important to be faithful to the constituency. These cultural-cognitive characteristics can clash in certain situations. For example, if commitments at BPF have already been made on the board, and the constituency does not agree with them, then actors on the board encounter an area of tension. The study reveals that members of the boards of governance at BPF try to resolve this tension as much as possible by making agreements (rules). The external parties or committees are not allowed to bring up new topics during the board meeting. If this was allowed, the members of the boards of governance would not have time to coordinate with their constituencies.

Table 6.5 Conflicting characteristics of the institutional framework

Narrative	Grand narrative characteristics	Counter narrative characteristics	Counter narrative
I Corporate governance is complying with rules and regulations.	Cultural-cognitive characteristic: Adhering to rules and regulations. Regulative characteristic: Otherwise legal action could be taken against the organization and/or its reputation could be damaged.	Cultural-cognitive characteristic: Results-oriented action Regulative characteristic: There is room for deviation.	I Rules and regulations are not always feasible due to practical problems and organizational interests.
II Corporate governance is attaching value to written rules.	Cultural-cognitive characteristic: A promise is a promise. Regulative characteristic: Example: When amending the bylaws, the DNB must be informed. Normative characteristic: corporate principles and compliance with them.	BPF Cultural-cognitive characteristic: It is important to know what the constituency wants. Florabank Cultural-cognitive characteristic: Florabank has grown into a middle sized organization very recently, so the actors have little historical basis for solving problems informally. Regulative characteristic: There is room for interpretation.	II There is also an informal world.
III Corporate governance is balancing between interest.	BPF Cultural-cognitive characteristic: collectivism and solidarity Faithful to the constituency. Regulative characteristic: The governance board consists of representatives of stakeholders (Pensions	BPF Cultural-cognitive characteristic: Convinced that organizes solidarity is effective. Regulative characteristic: The pension funds have a mandate based on rules and regulations (Pensions Act 102a).	III Corporate governance is pursuing the collective interest (BPF) and organizational interest (Florabank).

	Act). Florabank <u>Cultural-cognitive</u> characteristic: The CEO is focused on control the interests. <u>Regulative</u> characteristic: Interests of employee (WOR), shareholder (Corporate Code) and customer (AFM).	 Florabank <u>Cultural-cognitive</u> characteristic: Convinced that the mission of the bank is effective. <u>Regulative</u> characteristic: The statutory directors are personally liable.	

An example of the regulative characteristic is shown in the third grand narrative on balancing interests, in which the board is involved with rules and regulations that support both the grand narrative and the counter narrative. On the one hand, the board has to deal with rules and regulations which ensure that the interests of various actors are protected, such as WOR for the employees or AFM for the customers. On the other hand, the board has to deal with rules and regulations that safeguard the interests of shareholders. Members of the board must function within and comply with all the laws and regulations. It should be noted that at Florabank, the shareholders and the supervisory board can dismiss the statutory directors if they do not function properly. This could have resulted in an area of tension, but according to the respondents, this has never occurred at Florabank. However, this study shows that this area of tension does occur in the minds of the actors in and around the boards of governance.

Another area of tension that is expressed more in practice than in the minds of the actors is that between the regulative characteristic and cultural-cognitive characteristic. The following is an example from the casestudy of Florabank. For the CEO of Florabank, it was often customary to inform the works council and the supervisory board only after a decision had been made. For instance, the works council should have been given the right of consent prior to the reorganization, but the CEO coordinated with them afterwards when everything had already been arranged. In Section 5.3.2, it is stated that this situation resulted in tension for the chairman and members of the works council. On the one

hand he was sincerely pleased that the employees had been treated well in the reorganization, but on the other hand the works council did not fulfil the expectations of its formal role. This example illustrates the relationship between the member of the governance board and the OR. Bader and Benschop (1989:265) stated that there are mechanisms which focus explicitly on maintaining or changing the unequal status quo. However, it is questionable whether the right of consent at Florabank would have had consequences for the reorganization, especially considering that the board gave shape to the reorganization with the best intentions. However, the relationship between the board and the works council would have improved if the CEO had involved them prior to the reorganization. Moreover, he could have included their suggestions and ideas at an early stage, which might have saved time and money. Nevertheless, the example of Florabank does not mean that the cultural-cognitive characteristic always creates tension; an example from the BPF case study shows that a cultural-cognitive characteristic may also be in accordance with the regulative characteristic and can even cause changes in the status quo. The BPF case study shows that the representatives of employers and employees customarily consult with each other before the meeting, while corresponding actors at other pension funds do not. This mechanism is used to change the relationships between the employers and employees. In this way, they attempt to reach a consensus. These are examples of mechanisms that are used at both organizations. Notably, at both organizations, the regulative characteristics are used by everyone as a fixed mechanism on the basis of which people can be held to account, whereas the cultural-cognitive mechanisms, such as customs, are much less likely to be negotiable.

In summary, this section has shown clearly that the cultural-cognitive characteristics and the regulative characteristics have their own areas of tension. This section has also shown that the cultural-cognitive and regulative characteristics can clash due to their own space for interpretation. The cultural-cognitive characteristics can determine the behaviour of actors in and around the boards of governance. In the above section it was shown that the characteristics determine the social structures. In this regard, reference can be made to the actor-structure debate

(Giddens, 1979, 1984; Bourdieu, 1977, 1984). The final subsection shows that taking action depends not only on structures, but also on the actors.

Acting strategically can lead to tensions

Habermas assumed two ideal types (Section 2.3.1) of responsible action: strategic action and communicative action. Strategic action is result-oriented and communicative action is consensus-oriented. Looking back on the worldview and the institutional framework, the study shows that the result-oriented approach is dominant in the actors' worldviews in the two case studies (Sections 4.1, 4.1.3, 4.3.1, 4.3.3, 4.3.5, 5.1.1, 5.1.3, 5.2.3, 5.2.4). Considering the result-oriented characteristics of the institutional framework, people at Florabank would be expected to act strategically. In the case study of BPF, consensus building is more apparent. However, during the analysis it was difficult to identify which ideal type dominates the action. For both case studies, the analysis (Appendix IV) shows both strategic and communicative action. Both case studies show that communicative action results in positive experiences for members of the board and other actors. For example, the fact that the CEO of Florabank involved the DNB in a question about the expanding abroad (section 5.3.1) or that the executive board of BPF involved the DNB in the discussion about a professional board. In both examples, they did not know beforehand what the result would be, but both organizations were satisfied with the outcome. In such cases, the actors often become involved early in the process, they listen to each other and then reach consensus based on argumentation. In his theory, Habermas (1987) argued that creating space for communicative action not only increases the substantive quality of the narratives, but also the quality of the social interaction (corporate culture); this was confirmed by the respondents in the present study.

Although the case studies show that communicative action takes place at both organizations (intention to achieve consensus), there is no communicative symmetry (Section 2.3.3). The ideal discussion situation rarely occurs in the daily practice of corporate boards, which is due to four reasons. First, all parties do not have an equal opportunity to participate in the discussion; this is because the organization is often structured so that the board meets with representatives, or at BPF, where the board itself consists of representatives. The representatives

replace the individual employee or employer, but these individuals are not participants in the discussion. Because the individuals must be represented by someone, they cannot be heard themselves. Second, not all assertions, conclusions, explanations, interpretations, ideas, suggestions, questions, doubts and criticisms of all actors can be heard. This is not possible in practice because there are too many stakeholders with too many individual wishes. Third, during the discussion between the actors, no power relationships should exist that could cause specific arguments to be deliberately avoided or to acquire an unassailable character. The case studies show that the agendas at both organizations are prepared by specific people; although they do not always act deliberately on this basis, power relations can indeed play a role. It should be noted that power can also be exercised by the way meetings are chaired, for example (Section 4.3.3). And fourth and perhaps most important, it does not always have to be clear whether the actors are honest in their intentions. Habermas argued that it is only when all of these aforementioned conditions are met that there can be a critical-rational (fair) discussion situation in which all arguments are weighed rationally against each other. This discussion situation did not emerge in either of the case studies.

The results from Chapters 4 and 5 show that strategic and communicative action both depend on the context and the personal values and composition of the board. The example from BPF, in which a comparison is made between the action taken on the executive board of BPF and the action taken during the cao negotiations, shows that the application of strategic or communicative action is context-dependent. During cao negotiations, in which most of the actors are represented, the respondents indicated that much more strategic action is involved. This is because much greater interests are at stake. In this situation, the individual board members must achieve the best results for their constituencies, while the pension fund board as a whole has already completed the most important agreements during the cao negotiations, and the board is primarily involved with the implementation. The study has shown that the personality traits of the board members and the composition of the board determine the choice for communicative or strategic action. This can be explained based on the BPF case study. At this organization the boards of governance consist of representatives of

employers and employees organizations, who together are responsible for the collective mandate. They must invest together in such a way that there are sufficient assets in the future to pay pensions or earn yield on investment. The narratives of BPF show that the governance board engages in communicative action especially when major interests are at stake, such as during the indexation decision. The narratives show that other pension funds often act strategically. According to the respondents, this has to do with the personality traits of the chairman and the composition of the board. A number of years ago, the board at BPF consisted of different individuals, and strategic action was much more dominant. At that time, the chairman provided little room for communicative action. Another explanation for communicative action, according to the respondents, is that less important interests are at stake.

Strategic action can be both positive (directive, guiding) and negative (manipulative). Strategic action that is negative, sometimes called manipulative action, can lead to areas of tension. Table 6.1, 6.2 and 6.3 show that manipulative action is a part of all counter narratives. As the Florabank case study shows in the counter narrative about laws and regulations, the actors in and around the boards of governance seek space for interpretation (grey areas) in order to deviate from Corporate Governance Code. In the second counter narrative, certain actors in and around the boards of governance use informal consulting to machinate, make alliances and manipulate the other actors in order to deviate from the written rules. And in the third counter-narrative from BPF, decisions are not based on balancing between interests, but on organizational interest. In that case, some actors are not invited to meetings. The BPF case study shows similar strategic actions, not all of which lead to better corporate governance. Instead, these strategic actions lead to areas of tension. When seeking the grey areas, the actors come close to violating the rules and regulations; they risk being prosecuted and incurring reputational damage. Another example from the case study of BPF: When employee representatives do not act in the interests of their constituency, but go along with the collective interests, then they risk strikes and even the loss of their own job. These examples show that the areas of tension can put the legitimacy of the organization or the actor under pressure, which can lead to additional tension.

6.3 Conclusion: Explanatory factors for areas of tension in corporate governance

A pivotal driver of the empirical part of the study is the third research question: "Which factors can be identified to explain how actors in and around the boards of governance in the financial sector deal with the areas of tension in corporate governance?". Three factors can explain these tensions: scene, space for improvisation and conflicting plotlines. De starting point for this analysis is the narrative table in the chapter on theory (Table 2.2). The findings from the case studies have shown that this can best be described as a narrative soup (Boje, 2001). This narrative table was filled in by zooming in on the text and zooming out on the environment, and by linking the micro and macro levels with each other (Fairclough, 1992). Three grand narratives about corporate governance can be distinguished: 1) corporate governance is complying with rules and regulations, 2) corporate governance is attaching value to written rules, and 3) corporate governance is maintaining a balance between various interests. Appendix IV contains a summary of these three narratives. The areas of tension in corporate governance lie between the grand narratives and the counter narratives (Section 6.2.1), between the levels of the narratives (6.2.2) and between the narrative concepts (6.2.3). In the descriptions of these various tensions, three factors appear to explain the tension within corporate governance.

These three factors –scene, space for improvisation and conflicting plotlines– are discussed below. The choice to formulate these factors using metaphors from the theater and film industry was deliberate; it was inspired by the dramaturgical perspective of the American sociologist Goffman. The dramaturgical perspective of Goffman (1959) invites the reader to see the world as a spectacle, a stage on which people appear as actors and attempt make an advantageous impression. Goffman argued that people play a certain role; they attempt to have others acknowledge them in a specific role by manipulating their clothing, attitudes, poses, statements and other symbols. They make it clear that they meet a number of expectations, which Goffman refers to as impression management. During the interviews with respondents of BPF and Florabank, and during the exploratory interviews, terms were regularly used which are in line with Goffman's views. For example, the

CEOs of financial organizations were typified as artists in managing expectations and were described as masters at wearing different masks.

Scene

The results of the study indicate that the areas of tension in corporate governance depend on where, when and under which conditions the narrative takes place. The study reveals that respondents were almost constantly aware of the context of financial sector as described preceding Chapter 4 (Sketching the context of the financial sector: a brief overview). The financial crisis, credit crunch and banking crisis –but especially the crisis of trust– resulted in tensions (Section 4.1.3). The background of the people and the history of the organization play an important role. For example, in Section 5.3.4 it is shown that the history of the founding of the bank (Section 5.1.2) continues plays a major role in the current conflict between ideals. Section 6.2.1 has shown that areas of tension occur in situations where major interests are at stake. These areas of tension also depend on the organization in which the actors operate. As shown in Table 6.2, the same characteristics may play an important role, but the specifics of the various areas of tension depend on the corresponding organization. Finally, the results of the study show that the Newtonian worldview, which still dominates the current context, is starting to show cracks; this also leads to areas of tension (Section 6.2.3).

Space for improvisation

Space for action and interpretation (grey areas) is the second important factor to explain the areas of tension. The results show that there is space for action, which provides actors with a certain degree of freedom. At BPF, a large informal space underlying the formal meeting was revealed, in which people could reach consensus or act strategically. This informal space can lead to areas of tension. One example is the informal contribution of ideas from the works council at Florabank regarding pension fund planning, even though the same works council will have to make a formal decision about these plans at a later time. Besides space for actors to take action, there is space within the cultural-cognitive and regulative characteristics. Consequently, actors also have space to make choices (Section 6.2.3).

Conflicting plotlines

Finally, the areas of tension can be explained by the third factor: values. From the results, it appears that values are expressed in various ways. First, both case studies have shown that the levels of the narratives can clash. The examples from Section 6.2.2 shows that this is about the clash of values. The personal values can clash with the values of the organization (Section 6.2.2). The case study of Florabank exemplifies this in the narrative about conflicting ideals. Moreover, organizational value and societal value can also lead to areas of tension. This can be seen in the narrative about the cluster munitions. The results also show that the cultural-cognitive characteristic plays a major role in the areas of tension between the grand narrative and counter narrative (Section 6.2.3). This is because contradictory values are inherent to the cultural-cognitive characteristic at both BPF and Florabank. These values are based not only on the great historical affinity with rules and procedures (grand narratives I and II), but also on the results-orientated approach (counter narratives I and II).

Reflecting on these three explanatory factors for tensions in corporate governance, it can be stated that these factors are not truly innovative in the social sciences, but they are innovative in the context of corporate governance. In current theory, corporate governance is often seen as an unequivocal and straightforward concept, in which power and interests hardly play a role, whereas this study has shown that the opposite emerges from the tensions in corporate governance. According to the results of this study, corporate governance is actually dynamic and complex, and interests and power play an important role. It is dynamic because not just one narrative is involved; there are several basic narratives, subordinate narratives and counter-narratives. This diversity of narratives shows that corporate governance is a broad concept. The complexity lies in the implementation of corporate governance, which depends on the specific situation and specific actor. Goffman (1959) argued that when people interact, they transfer only that information which is important for their own definition of the situation; similarly, the present study has shown that people use narratives that are in their own interest in a specific situation. Consequently, actors can use corporate governance as a strategic instrument to achieve their own interests.



Chapter 7

Conclusions



7 Conclusions

The aim of this study is to contribute to both the theory and the daily practice of understanding of the areas of corporate governance in the Dutch financial sector. Therefore, the narrative lens was adopted in order to make sense of tensions in corporate governance (Section 2.2). This narrative lens has led to an insight into the following aspects:

- **Tensions in corporate governance;**
- **The relationship with corporate governance at the level of the actor, the organization and society;**
- **The specific context of a small sustainable bank and a value-based pension fund. The influence of organizational context on the way in which the areas of tension within corporate governance manifest themselves;**
- **The diversity of boards of governance in the financial sector;**

Before presenting the contributions to theory and practice in Section 7.2, I will answer the research questions for this study in Section 7.1. Finally, Section 7.3 ends the chapter with closing thoughts.

7.1 Answering the reseach questions

This section provides an answer to the central research question of this study:

How do actors in and around the boards of governance in the financial sector make sense of tensions in corporate governance, and how do these tensions manifest themselves in practice at a pension fund and a bank?

The general conclusion of this study is that the tensions in corporate governance involve the search for a balance of power. This is consistent with the assertion of Cools (2005) that corporate governance is about the balance of power. These general conclusions can be explained in threefold. Firstly, both case studies clearly showed that the tensions within corporate governance involve conflicting interests and dual roles

(Section 6.2.1). Secondly, the tensions within corporate governance are about seeking a balance of power between everyday practice and the individual and society. In this respect, the study revealed a gap between this everyday practice and the individual and society in which there is a power struggle between economic and social values (Section 6.2.2). And thirdly, the actors in and around the boards of governance in both case studies the new era that is characterized by power shifts confronted, in which people struggle with terms such as democracy and internationalization (Section 6.2.3). This general conclusion is articulated by the answer given below to the research questions of this study. In addition, the three subconclusions described above will be supported below.

A relatively large number of studies have previously been conducted on the rational approach to corporate governance. As indicated in Section 2.1 the rational approach in turn consists of three dominant theories: game theory (Morgenstern & Von Neumann, 1944), agency theory (Alchian and Demsets 1972; Jensen and Meckling 1976; Fama & Jensen 1983) and transaction theory (Williamson, 1975, 1981, 1985). These three theories are all based on rational and utility-centric philosophy. However, considerably fewer studies have focused on the cultural perspective, which is the point of departure of the present study (Section 2.1). From a cultural perspective, anthropology is the field of science that studies culture (Tennekes, 1995). Anthropology links up with the social-constructivist perspective. The organizational anthropologist Bate (1997) described the anthropological perspective as thinking about organizations from two worlds: the constructed world and the social world. The Dutch anthropologist Koot (1995) stated that in the constructed world people themselves make sense of their organization, which means that they determine "to what extent they can accept new conceptions of reality and values to guide their behaviour" (Koot 1995: 33). People make sense in their stories about their life situation and their relationships with others. To study the perceptions of the actors in and around the boards of governance, the narrative approach was used, which is explained in Sections 2.2 and 2.3. I have adopted the definition of Flory and Iglesias (2010: 116-117): "Narrative is the reflective product of looking back and making sense of stories constructed to make sense of life". To study corporate governance from the narrative approach, I used the

designations of narratives of Van Duijnhoven (2010) and the classification of De Heer et al. (2011). This resulted in a distinction between grand narratives, subordinate narratives and counter-narratives. After this, narrative concepts were chosen that say something about the process of sensemaking, and themes were chosen that relate to being, valuing and acting (Section 2.4). These were worldview (Section 2.4.1), institutional framework (Section 2.4.2) and mode of practice (Section 2.4.3), respectively. By linking the grand narratives, subordinated narratives and counter narratives with the three narrative concepts, the sensemaking of areas of tension in corporate governance were identified. This linking resulted in a theoretical framework (Table 2.2) which was used as the starting point for the analysis. The theoretical framework contains the answer to the first research question: "How is the concept of sensemaking of tensions in corporate governance operationalized in the literature?".

The fourth and fifth chapters focus on the two case studies. The findings were presented based on descriptions of stories about the logic of the actor, institutional logic, and the logic of the practice of corporate governance. In this chapters, based on the findings, the second research question of the study was answered: "How do actors in and around the boards of governance of BPF and Florabank deal with tensions in corporate governance?". The start ing point for the analysis (Chapter 6) of this study is the theoretical framework (Table 2.2). This theoretical framework or narrative table was filled in by zooming in on the text and zooming out on the environment, and by linking the micro and macro levels with each other (Fairclough, 1992). In Section 6.1 the findings from the case studies have shown that this can best be described as a narrative soup (Boje, 2001). Three grand narratives about corporate governance can be distinguished: 1) corporate governance is complying with rules and regulations, 2) corporate governance is about attaching value to written rules, and 3) corporate governance involves maintaining a balance between various interests. The three narratives and the corresponding narrative concepts are described in detail in Sections 6.1, 6.2 and 6.3, and are summarized in table 6.1, 6.2 and 6.3.

The narrative approach clearly shows that corporate governance is a broad, dynamic, and complex concept. The broad concept is reflected in the variation in the three narratives (Sections 6.1, 6.2 and 6.3). Instead of being linked to a single theme, corporate governance is linked to three distinct grand narratives (rules and regulations, written rules and interests), each of which has their own subordinate narratives and counter-narratives. This is notable because in the corresponding theory it is frequently a delineated concept. The dynamic part of corporate governance can be explained by the changes in the three grand narratives of corporate governance. According to the majority of the respondents, the three most important changes in the area of corporate governance are the following: the increasingly stringent rules and regulations, the increasing demands of the stakeholders (participants who want more or customers who demand more) and the increasingly outspoken view of society on boards of governance in the financial sector. For that matter, these major changes can all be placed within the developments described in Section 1.2. These most important changes can be connected by the various narratives of corporate governance. The increasingly stringent rules can be linked to the first grand narratives about rules and regulations, the increasing demands of the stakeholders can be connected to the third grand narrative about maintaining the balance between interests and the third change about the increasingly critical view of society can be linked to the subordinate narratives from the third grand narratives which is about corporate governance acting in accordance with the societal view. This makes corporate governance a dynamic concept (Section 6.1.3).

The study also shows that corporate governance is a complex concept in which the various grand narratives are used interchangeably. The analysis showed that the narratives that are used depend greatly on the actor and the situation. A CFO with a legal background will interpret the concept of corporate governance much differently than a CEO with a background in economics. Moreover, in a different situation, for example when negotiating about wages, the same CFO will tend to use the third grand narrative about maintaining a balance between various interests. The complexity of the concept of corporate governance is not only due to the fact that corporate governance is dependent on the actor and the situation in which narratives play a role, the study also showed that

within the various narratives different meanings are assigned to various topics or themes. For example, the CFO of Florabank asserted that he did not see the organizational interest as representing the interests of society. Furthermore, the same CFO also stated that transaction monitoring[75] (corporate governance means complying with rules and regulations) is not the responsibility of the banking sector, even though transaction monitoring also enhances the safety of society. Notably, the respondents themselves were often unaware of these different interpretations of the themes, which led to conflicting elements in their statements.

The large number of stories shows that corporate governance is not only a broad, dynamic and complex concept, but also a powerful one. Besides the three narratives, this study also revealed that every grand narrative has a counter narrative, and two of the three grand narratives have a subordinated narrative (Table 6.2.1 and Appendix IV). In line with De Heer et al. (2010), this study shows that the existence of a counter narrative and a minimum number of variants indicates that corporate governance has great narrative power. Due to the large number of stories, for the individual actor there is room to choose a particular interpretation of corporate governance (Section 2.3). During this process, people can also act strategically; as a result corporate governance can also be a powerful concept for the individual actor.

Although it is now clear how actors in and around the boards of governance make sense of corporate governance, the central research question of this study has not yet been answered. The answer to the central research question of this study is that the various tensions in corporate governance lie between the grand narratives and the counter narratives (Section 6.2.1), between the levels of narratives (Section 6.2.2) and within the narrative concepts: the worldview, institutional

75 The aim is to determine whether these institutions adequately comply with obligations from the Act on Preventing Money Laundering and Financing of Terrorism (Wwft) and obligations from the Sanctions Act, such as keeping client data up-to-date, monitoring transactions, detecting and reporting unusual transactions and screening customers against the sanction lists.

framework and mode of practice (Section 6.2.3). The rest of this Section will describe each of these tensions in turn.

Tensions between grand narratives and counter narratives: ***it's about conflicting interests, and dual roles***

In the first narrative, about complying with the rules and regulations there is tension between the grand narrative and the counter narrative. On the one hand, people want to comply with the rules and regulations (Section 4.1.2, 4.3.4, 5.3.1), but on the other hand this is not always feasible due to practical problems and organizational interests (Section 4.3.4 and 5.3.1). The results show that actors in and around the boards of governance in this area of tension act situationally. They try to find sufficient room to act within the rules and regulations. For example, they have legal experts investigate whether specific legal constructions can be found that are more advantageous. At the same time, they also do not want to take the risk of being held accountable for violating the rules and regulations. The actors move within this grey area, as shown by case studies of BPF (Section 4.3.4) and Florabank (Section 5.3.1). In this way, the actors sometimes enter into discussions with the DNB to see if there is space in the rules and regulations, also with the aim of involving the DNB in the plans so that they do not commit legal violations. The study shows (Sections 4.3.4 and 5.3.1) that the actors in and around the boards of governance carefully consider the contacts they make and the space that they take with respect to the rules and regulation. They consult about this and choose a strategic approach in which the risks are weighed. In summary, the results show that when major interests of the organization are at stake, actors in around the boards or governance become involved in the areas of tension between the rules and regulations and the practical problems on the one hand and the organizational interest on the other.

The tensions in the second set of narratives concern balancing between the formal and informal roles. One example is the story about the executive board meeting at BPF (Section 4.3.3), where some actors indicated that this meeting is more like a ritual or circus than a meeting in which consensus is achieved. Preceding the meeting, an entire space is created in which members of the board can coordinate matters with their constituencies and other parties. In this story, it is clear that the

actors in and around the boards of governance experience tension in some situations, for example when a decision must be made that displeases their constituency. In that case, they must explain to their constituency why they agreed to this decision as a member of the boards of governance. This can lead to tension or even to strikes or removal of the board member concerned. The tensions at Florabank between formality and informality are addressed especially in Section 5.3.2. According to various respondents, Florabank is experiencing a growth phase from informality to formality; many problems were previously solved informally, even though the situation actually required formal solutions. Many matters are still coordinated informally, but are not always visible for the other actors in and around the board governance or become visible too late. Many respondents expressed difficulty in dealing with this, such as the chairman of the works council who indicated that he was expected to formally approve the reorganization, but was informed about this too late, or the supervisory board, which is also required to give formal approval for certain matters, but ended up reading about this in the newspaper. The results show that actors in and around the boards of governance are involved in the tension between formality and informality and find it difficult to play their formal roles in this grey area.

And in the third grand narrative, on one side people attempt to maintain a balance between the various interests, and the other side they pursue the collective interests (BPF) or the organizational interests (Florabank) (Section 6.1.3). On the one hand, a member of the executive board of BPF wants to maintain a balance between the interests of the employee organization and the board, but on the other hand he also wants to pursue the organizational interest. This relates to the narrative of the dual roles (Section 4.3.1). It should be noted that not only the members of the governance board have to deal with the phenomenon of dual roles, but also other actors at BPF. For example, the account manager of the Pension Administration has to deal with both his constituency and with the organization. The members of the governance board of PPF, particularly the director of the Executive Office, put pressure on the account manager to deliver good quality, but at the same time, he has to deal with a constituency that cannot always supply the desired quality. The tension of the phenomenon of dual roles increases when major

interests are at stake and the situation requires a clear standpoint. When the member of the governance board of an employees organization at BPF is asked to take a standpoint on whether indexation is required, then this area of tension becomes active. The constituency then puts its representatives under pressure to represent their interests. On the one hand, the representative of the employee organization has the mandate to be faithful to his constituency, but on the other hand, from his role as a member of the governance board he must acknowledge that this is not advisable when considering the continuity of the pension fund. The results show that when this situation occurred at BPF, a decision against indexation was made within five minutes. People acted in accordance with the organizational interest. The members of the governance board were able to justify this decision adequately to their constituency. However, if the constituency does not accept a decision –which has never happened at BPF– the situation can escalate and even lead to strikes. For that matter, the respondents at BPF indicated that this was not always the case with every member of the governance board (interview with investment committee adviser). The results show that this has to do with personality traits of the members of the governance board and the composition of the board (Section 4.1.1). The previous governance board of BPF focused much more on serving the interests of the constituency, and the collective mandate was given much less attention.

At Florabank, the tension between keeping various interests in balance and the organizational interest was also addressed by the respondents. This can be illustrated by the narrative about the clash between ideals (Section 5.3.4). The CEO acted in accordance with the belief that he had to keep the various interests in balance. The narrative about ideals shows that there are essentially two types of ideals at Florabank. There are stakeholders who support the growth of the organization and stakeholders who believe that growth is not very important at all, but want to adhere to their original principles. These differing beliefs create a conflict within the organization. On the one hand, the members of the governance board have to keep the various interests in balance, and on the other hand they must pursue the organizational interest. The personal vision of the CEO is in accordance with the organizational interest: the pursuit of growth. He chooses to carry out this vision. Section 5.3.4

illustrates how he demonstrated to the organization that is carrying out his vision, and that the other actors are expected to follow suit. In a consultation with the chairman of the AAO, he indicated that the chairman should prevent this conviction (that growth is not important) from taking root in his group. The chairman, who shares a personal preference for the vision of growth with the CEO, is also faced with an area of tension. On the one hand, he has a personal preference, but on the other hand he represents a constituency and wants its voice to be heard. He wants to maintain a balance between the various interests. This example illustrates the various tensions between the interests at play.

Tensions between the levels of the narratives: ***gaps between everyday practice and the expectations of the individual and society***

This study revealed a variety of tensions between individual and organizational level and between the organizational and societal level of corporate governance. Section 5.3.4 describes how actors in and around the boards of governance at Florabank argue about the practicality of the organization's ideals. There is an internal discussion about how our ideals must be given shape in practice. In Section 5.3.4 it becomes clear that differences in insight between actors in and around the board of governments can lead to tension. Section 4.3.5 shows that there is also tension between the societal level and the organizational level of the narrative. Actors are aware of the societal level of the discussion on corporate governance. The results of the study show that this societal level certainly affects the actions taken in their organization. Both BPF and Florabank scrutinized their investment policy. Nevertheless, both organizations experienced tensions in this area because the media norm rejected investments in cluster munitions, but if this is converted to policy, then it has consequences for pensioners: they must settle for a smaller pension. For the actors in and around the boards of corporate governance, this tension between social values and economic values occurs at the organizational level. It should be noted that these conflicting values not only occur at the societal level, but also within organizations. For example, in her study of the development of sustainability policy at a commercial bank, Kok (2015) showed that conflicting logics are involved which are incompatible with each other.

Tensions within the narrative concepts: ***confronted by a new era***

Regarding the worldview, the institutional framework and the mode of ractice, it can be concluded that areas of tension are involved with all three concepts. In both cases, concerning the worldview of actors in and around the boards of governance, it can be concluded that the dominant Newtonian worldview is starting to show cracks, which leads to tension. One example is that people do not understand how to deal with interest groups or freethinkers, because the various actors in and around the boards of governance believe they are unmanageable. Another example is that the financial crisis revealed that the current financial models do not always work as intended, otherwise the crisis would have been anticipated. This uncertainty results in tension. A conclusion of this study is that actors in and around the boards of governance believe that they are living in an exceptional time in which changes will take place. When this assertion is compared with how the philosopher of science Kuhn views the phases of a paradigm shift, it is apparent that the actors in and around the boards of governance find themselves between normal science (phase 2) and a crisis (phase 3). According to Kuhn, the crisis phase is imminent when unexplainable phenomena within a theory are openly acknowledged. The present study has shown clearly that unexplainable phenomena occurred, such as the failure to anticipate the financial crisis. As a result it was openly acknowledged that something was wrong, but the actors continued to hold on to the dominant thinking. This worldview is still dominant, but is showing cracks; consequently people are starting to doubt this worldview. This doubt and uncertainty results in tensions (Section 4.1.3).

Regarding the second narrative concept, i.e. the institutional framework, it was shown that the characteristics determine the social structures. In this regard, reference can be made to the actor-structure debate (Giddens, 1979, 1984; Bourdieu, 1977, 1984). It can be concluded that the tensions are caused by clashing characteristics. Table 6.5 identifies the anchors of the grand narratives and counter narratives, and clearly shows which characteristics clash. Table 2.6.3 shows that the areas of tension in corporate governance concern the regulatory and cultural cognitive characteristics and not the normative characteristics. Clashes occur within cultural-cognitive characteristics and regulative characteristic and

between the cultural-cognitive and regulative characteristics. In certain situations the characteristics can clash. Section 6.2.3 presents examples. Notably, there are situations in which the regulative characteristic and cultural-cognitive characteristic collide. The following is an example from the casestudy of Florabank. For the CEO of Florabank, it was often customary to inform the works council and the supervisory board only after a decision had been made. For instance, the works council should have been given the right of consent prior to the reorganization, but the CEO coordinated with them afterwards when everything had already been arranged. In Section 5.3.2, it is stated that this situation resulted in tensions for the members of the works council. This situation indicates that corporate governance is not only about rules and regulations, but also that culture can ensure that people do not comply with the regulative characteristics of corporate governance.

The tensions in the third narrative concept involve the mode of practice. Based on Section 6.2.3 (narrative practice), it can be concluded that strategic action (action focusing on results) is dominant, and that communicative action (action focusing on consensus) is subordinate. The interviews showed that action focusing on one's own results can be experienced negatively by the actors in and around the boards of governance. One example is a member of the employee organization who promoted his personal favorites or a CEO who unilaterally enacted a pension scheme because it was advantageous to the organization. This mode of practice is not consistent with the current era in which democracy, justice and participation are given a greater role. This leads to tensions among actors in and around the board. A striking aspect, however, is that communicative action resulted in a positive experience for all actors. Actors have the feeling that they are listened to and that the process is running smoothly. Although they feel positively about this mode of practice, this information is not exchanged mutually or discussed. It is perhaps advisable to exchange modes of practice more often.

The third research question of this study is: “Which explanatory factors can be identified in and around the boards of governance in the financial sector that elucidate the tensions in corporate governance?”. Three

factors can explain these tensions: scene, space for improvisation and conflicting plotlines (Section 6.3). Scene refers to where, when and under which conditions the narrative takes place. The types of actors that are part of narratives play a key role. The study has shown that the personality traits of the board members and the composition of the board determine the choice for action. The case study on BPF shows that a number of years ago, due to a different chairman and a different composition of the board, strategic action was much more predominant. Respondents from other pension funds also indicated that the personality traits of the individuals and the composition of the board determine the type of action at the pension fund. The tension in this concept does not concern communicative action, but strategic action. Actors in and around the boards of governance indicated that they sometimes suffer from strategic actions that are detrimental to them. Section 6.2.1 has shown that areas of tension occur in situations where major interests are at stake. Section 6.2.2 shows that the societal level of the narratives is important for the areas of tension. And section 6.2.3 shows that the Newtonian world view, which still dominates the current context, is starting to show cracks; this also leads to areas of tension (Section 6.2.3). Space for improvisation refers to space for interpretation and action (grey areas). The results show that there is space for action, which provides actors with a certain degree of freedom. Besides space for improvisation for actors to take action, there is also freedom within the cultural-cognitive and regulative anchors. Consequently, actors also have space for improvisation to make choices (Section 6.2.3). The third factor that explains the tensions in corporate governance is conflicting plotlines. From the results, it appears that the plotlines are expressed in various ways. First, between the grand narratives and the counter narratives (Section 6.2.1), between the levels of narratives (Section 6.2.2) and within the narrative concepts: worldview, institutional framework and mode of practice (Section 6.2.3).

7.2 Theoretical and practical contribution

The theoretical contribution of this study consists of the following six components, of which the first three have been addressed in Chapter 2:

- The narrative approach which has been added to the literature on corporate governance;

- The narrative model about being, valuing and acting (Figure 2.3);
- The theoretical framework of this study (Table 2.2);
- The presentation of the results by means of various types of logic;
- Factors that explain the areas of tension in corporate governance;
- A description of the different types of tensions that surface through the narrative approach.

The first contribution is the use of the narrative approach for studying corporate governance. In contrast to the dominant literature, in which corporate governance is viewed as objective, in the narrative approach it is seen as subjective. In this study, corporate governance is defined as a process of sensemaking and sensegiving in the dynamics of everyday interactions in and around organizations. Until now, little research has been conducted into the narrative approach to corporate governance (Brown, 2005), i.e. focusing on stories and narratives about corporate governance as an object of study. The present study shows that the narrative approach yields knowledge for theory and practice. The second theoretical contribution is the narrative model concerning the worldview, institutional framework and mode of practice (Figure 2.4). This new model was developed in the present study and distinguishes between being, valuing and acting (Figure 2.4) These concepts are a way of looking at how actors in and around corporate management negotiate about the meaning and interpretation of corporate governance.
The combination of the first and second components can be viewed as building blocks for the third component, which answers the first research question of this study: "How is the concept of sensemaking of tensions in corporate governance operationalized in the literature?". The third theoretical contribution is a connection between the narrative approach with the grand narratives, subordinate narratives and the counter narratives and the narrative concepts (worldview, institutional framework and mode of practice). Together they compose the theoretical framework of this study (Table 2.2). In investigating the three aforementioned components, this framework is a conceptual improvement.
The fourth theoretical contribution is a new way of presenting the stories. To this end, this study used agent logic, institutional logic and

practical logic (Chapters 4 and 5). The fifth theoretical contribution provides an answer to the third research question of the study: "Which explanatory factors can be identified in and around the boards of governance in the financial sector that elucidate the tensions in corporate governance?" Three factors emerge from the analysis that can explain the areas of tension within corporate governance: scene, space for improvisation and conflicting plotlines (Section 6.3). The sixth theoretical contribution is to use the narrative approach to distinguish three different types of tensions for actors in and around the boards of governance, namely tensions between grand narratives and counter narratives, tensions between the levels of the narratives and tensions within the narratives concepts. The literature on the narrative approach recognizes the tension between grand narratives and counter narratives.This study adds to this literature by conceptualizing two other types of tensions, namely the tensions between the levels of narratives and the tensions within the narrative concepts. Considering these two other types of tensions opens up new avenues for research.

Besides making a theoretical contribution, in this thesis I also aimed to contribute to the scientific debate on corporate governance. The literature study shows that corporate governance has primarily been studied by economists or legal experts, and hardly at all by scholars from other fields. It is also remarkable that the theme of corporate governance has scarcely been studied holistically. This scientific insight is expected to result in scholars from other approaches studying the phenomenon of corporate governance. The present study also shows that normative action is subordinate. A study into reflexive action[76] among actors in and around the boards of governance would provide in-depth knowledge about the normative approach to corporate governance. The present study also shows that culture is an important factor for the interpretation of corporate governance. This approach has not been adequately addressed for many years. Researchers generally take an economics

76 Reflexive action is based on "stop thinking and choose". Reflexive individuals are no longer pushed forward by the force of the past. Such individuals should think about the direction in which they want to go (Vincke, 2007).

approach to corporate governance. Consequently, there is a lack of knowledge about how people experience corporate governance, how they talk and think about it, and how they act as a result. In subsequent research, it would therefore be advisable to study the perceptions (lifeworld) of corporate governance outside the financial sector. It can be concluded that the study has shown clearly that multidisciplinary research into corporate governance is essential, because it is an interdisciplinary concept.

The present study has contributed to practice at three levels: the individual level, the organizational level and the societal level. At the individual level, the identification of the areas of tension within corporate governance enables recognition. As a result, the study makes professionnals in and around the boards of governance aware of their thinking, talking and acting about corporate governance. Furthermore, the study shows that the individual actor in and around the boards of governance plays an important role in the areas of tension in corporate governance (Section 5.3.4). The individual values determine the action. The intention of the conclusion of this study is to initiate reflexive action in the individual actor. In this way it can contribute to the development of good corporate governance. Furthermore, the study shows that a discrepancy has arisen between the individual and the organization. A possible explanation of this discrepancy is the lack of sensegiving. For example, the process of institutionalization has continued to such an extent that the original values BPF –collectivity and solidarity– are now experienced much less often in daily practice. At Florabank, the lack of individual sensegiving is revealed differently. In this context a specific group of actors (members of various boards) suppress their personal values in the organization because the organization has decided to pursue different organizational ideals. This leads to the following question: What does this do to individuals in an organization, and what are the consequences? It appears that they become removed from themselves, estranged from the intrinsic values and they are sometimes fooling themselves.

At the organization level, this study, which identifies the areas of tension in corporate governance, provides a framework for further discussion within the organization. For people in organizations, the findings of my thesis will probably elicit questions and discussions about their own

organization. Concepts such as agent logic, institutional logic and the logic of practice can be used to make things explicit. At the organizational level, three sub-conclusions can be distinguished. The first sub-conclusion is that the personality traits of the board members and the composition of the board play an important role within the areas of tension in corporate governance. The second sub-conclusion at the organizational level is that not only the actor determines the actions taken within corporate governance, but that social structures are also important. The case study of BPF shows that the structure of the organization can help participants to focus more on achieving consensus, but a good structure does not lead automatically to good corporate governance. The third sub-conclusion is that actors in and around the boards of governance have good experiences with communicative action (acting in consensus). Furthermore, a number of topics in the narratives on corporate governance remain to be elucidated; these topics refer to how corporate governance will take shape in the future. This sketch of the future image of corporate governance is summarized in Section 7.4.

At the societal level, this study provides insight into the lifeworld of actors in and around the boards of governance. This study reveals a discrepancy between the societal level and the organization level of corporate governance. If the societal debate on corporate governance is approached from social values, there is usually an unbalanced division of interests, while the present study has shown that the interpretation of corporate governance in the organization is approached on the basis of economic value. This study shows that the societal debate puts pressure on the organizations to pay attention to the social values (Section 6.2.2). The exorbitant remuneration of executives, another topic that is widely discussed in the media, does not apply to either of the case studies. The actors in and around the boards of governance indicated that they do not believe that the members of the board have immoral intentions. On the contrary, they referred to the board members with great respect. Occasionally, at both BPF and Florabank, it was revealed that a role is played by the preference of actors in and around the boards of governance to continue with the duties in their portfolios or to place their own favorite projects on the agenda. Another contribution to the societal debate is that this study shows that the structure of the organi-

zation (social and otherwise) leads to a specific way of acting and limits the freedom of action of the actors. The bonds of daily practice prevent people from acting otherwise. However, it should be noted that it is not only the system itself, but the individual members of the board and the composition of actors in and around the boards of governance, that determine the action taken in this context. In this regard, reference can be made to the actor-structure debate (Giddens, 1979, 1984; Bourdieu, 1977, 1984).

This study provides a contribution to the societal debate on corporate governance, and also touches on the concept of corporate social responsibility (CSR). This study shows similarities with the concept of CSR; corporate governance is also a broad concept (Banerjee, 2001; Henderson; 2001; Göbbels; 2002). The definition of CSR in the advisory (2000) of the Social and Economic Council (SER) shows similarities with the findings of the present study on corporate governance. CSR (SER, 2000) consists of two characteristic elements. The first element concerns the deliberate focus of business activities on value creation in three dimensions (profit, people and planet) and consequently on the contributions to long-term social welfare. The second element of the definition concerns maintaining a relationship with the various stakeholders based on understanding and dialogue, in which answers are provided to legitimate questions from society. It is not surprising that the first element of the definition makes a strong appearance in the narratives of Florabank. This element is anchored deeply in the values of the organization. At BPF, however, this element was scarcely mentioned by the respondents. The second element of the definition appeared in the narratives in both case studies. Although one would expect that the normative approach would be dominant at Florabank, this is not the case. The institutional environment plays an important role in this process. This conclusion is in accordance with the findings of Devinney et al. (2013); in their article about the comparison between CSR and corporate governance, they argued that institutional environment and culture play an important role in the relationship between corporate governance and CSR.

7.3 Closing thoughts

Reflecting on the study, it is remarkable that the same themes set forth in the introduction still play a role today. The discussion still concerns the distribution of social and economic value. This contemporary relevance is shown by the newspaper article (Table 1.1), which asks whether sustainability considerations can be allowed to reduce the investment yield of pension funds. The debate about the consequences of rules and regulations and the skewed income distribution between executives and employees (Table 1.1) also remains a topic of conversation today. In short, not much appears to have changed in recent years with respect to the central issues of corporate governance. This study shows that the concept of corporate governance is seen as an answer to the problems of the financial sector, but also that the concept of corporate governance goes astray in the boardroom: the board members make mistakes about the path they must take. They commit a wrong deed or cherish an incorrect thought, while believing they are acting and thinking correctly. Corporate governance thus appears to be more of a narrative-based reinforcement of the problems than an effective solution.

One main reason that this happens is that corporate governance to actors in and around the boards of governance is primarily an instrumental concept. This concept of corporate governance emerged in chapter 6, which distinguished three grand narratives. In each grand narrative corporate governance is approached instrumentally, that is as the means to other ends. The first grand narrative focuses on compliance with rules and regulations (Section 6.1.1). In the second grand narrative, value is attached to the internal processes and procedures (Section 6.1.2). The third grand narrative consists of maintaining a balance between interests (6.1.3). The prominence of instrumental thinking also shows itself in the narrative concepts (worldview, institutional framework and mode of practice) of this study (Section 2.4). In both the grand narratives and counter narratives, the Newtonian worldview is dominant (Sections 4.1, 4.1.3, 4.3.1, 4.3.3, 4.3.5, 5.1.1, 5.1.3, 5.2.3, 5.2.4). This Newtonian worldview is based on the assumption that the executive board determines the strategy, the objectives and the guidelines, makes the choices, with the rest of the organization endorsing these choices and following them carefully. Other characteristics of this Newtonian thinking are control, rationality, competition, optimization of capital,

linear thinking, creating order and limitation (Bommerez & Hoppenbrouwers, 2007). The analysis suggested that the utility-oriented and results-oriented thinking can be explained by the backgrounds in law or economics of the actors in and around the boards of governance, by their personality traits, by their sex, but also by the era –with increasing welfare and free markets– in which they have grown up (Section 6.2.1). On the other hand, regarding the second narrative concept, the institutional framework dominates the regulative characteristic and the cultural and cognitive characteristics, but normative characteristics are hardly present. The normative characteristics appears only a few times in the narratives (Table 6.1, 6.2 and 6.3): in the subordinated narrative of the rules and regulations narrative at Florabank and in the grand narrative about written rules and the variant about complying with the social view at both BPF and Florabank. But even in these situations, the normative characteristic has an instrumental connotation. For example, the positive deviation from rules and regulations at Florabank is justified on the basis of principles. It should be noted that the subordinated narrative about complying with the social view is receiving more and more attention. Society is increasingly demanding moral attention for issues concerning corporate governance. For example, the case studies show that present-day organizations are expected not to invest in cluster munitions. If they do so regardless, they risk harming their reputations. In short, considerations of morality were generally subordinate to instrumental considerations.

Considering the instrumental and normative approaches to the areas of tension in corporate governance that emerged from the theory presented in Chapter 1 (Section 1.4), the analysis and conclusions indicate the following: for actors in and around the boards of governance, corporate governance is not about the normative approach of corporate governance. In the interviews people scarcely raised issues such as, how is the function of the organization interpreted? How are the moral and the philosophical guidelines for the implementation and management of the organization interpreted? Are the social values such as freedom and the foundation of self-esteem applied to everyone? Is there agreement between the values propagated by the executive board and the values of society? This absence of moral considerations in grand narrative is

consistent with the view of Habermas (1981), who indicated that what is referred to as rationality in this capitalistic society is silent on this matter. It applies only to ascertaining the correct technical instruments (means) to achieve predetermined aims; rationality with respect to value-bound objectives is excluded, and is thought to be impossible. It is striking that corporate governance is not a normative concept, while the theory suggests that corporate governance includes ethics (Freeman, 1984).
A term that is sometimes used in this context is *bounded morality* (Beitz; 1979; Torsello, 2015). The study shows that moral thinking is not part of the daily repertoire of members of the board; they appear to think and talk much more in terms of profit and entrepreneurship. The observation of this study that there is bounded morality is consistent with the argument of Luyendijk (2015). This Dutch journalist and anthropologist moved to London in 2011, where he wrote about the financial world of the City of London from an anthropological perspective for the British newspaper *The Guardian*. Although Luyendijk's study is about bankers in the city of London, and the present study is about actors in and around the boards of governance of a value-based pension fund and a small sustainable bank in the Netherlands, the observations about the lack of moral behavior are similar. Luyendijk referred to the lack of moral behavior as amoral behavior, which he contrasted with the term immoral behavior. He defined the latter term as criminal behavior and violation of rules and regulations. Considering the results of the present study, it can also be stated that actors in and around the boards of governance do not display immoral behavior, but they might engage in amoral behavior. In light of this apparent lack of moral talk on a topic supposedly morally weighted, this leads to the following questions: What is the consequence of the dominance of instrumental thinking and the subordinate attention for the normative approach and reflexive action? And does this instrumental thinking yield the same result as normative thinking? These would be interesting questions for subsequent research and reflection.

A second closing thought emerges in light of the findings of my study. They show that it is debatable whether laws and regulations help people to be behave properly in all cases. Not only Luyendijk, but also politicians, assume that laws and regulations will ensure proper behavior on the boards of governance from financial enterprises. The present study

shows that laws and regulations are only part of the solution: wherever there is space between the grand narrative and the counter-narrative, the actors will try to use this space. In the first narrative on rules and regulations, this could mean that more stringent laws and enforcement will result in less ability to make use of the gray area, thus increasing the likelihood of actions generally thought of as "good corporate governance". In the example on cluster munitions, after laws were passed forbidding such investments, further discussion was impossible and all parties simply had to comply. As stated previously, the study also shows that more stringent rules and regulations are only part of the solution; although people might want to apply rules and regulations, in practice the rules don't always work as intended. A good example is the right of consent of the Works Council (in Dutch referred to OR). In practice, the CEO informed the OR only after decisions had been made; as a result the right of consent did nothing to change the status quo of the mutual relationships. The observation that rules and regulations do not always help organizations towards proper behavior led me to the thought that the moral perspective is lacking here. This observation is not new in the social sciences. Acker (2006), a gender studies scientist, previously used the term inequality regimes to describe how interlocked practices and processes result in continuing inequalities in all work organizations.
In short, more stringent rules and regulations and corresponding enforcement will be a partial solution at best, but this will not necessarily lead to good governance in every situation. The cultural-cognitive characteristics, such as a CEO who acts informally and other actors who accept this, play a major role in the implementation of corporate governance.

A third closing thought involves the question that everyone is bound to ask: what is the future of corporate governance? This is not an easy question to answer. In this study, two visions of the future can serve to indicate where the answer to this question lies. The first vision is based on the writing of the philosopher of science Thomas Kuhn. Kuhn (1922-1996) described the evolving nature of knowledge in the form of paradigms (1962). He stated that the application of a scientific method results in the continual emergence of new perceptions that are compatible with existing models or paradigms. For some time it is

possible to fit the new observation to a model by making minor adjustments, but these accumulating adjustments may put the model under increasing pressure: the model is no longer beautiful; it has too many exceptions or situations. At such times, a new set of theories can arise, a new paradigm that can explain all known observations in a different way. A group of scientists will begin to adhere to the new theory, but at the same time other scientists will resist this change. When the new theory proves successful and gains more and more adherents, this is called a paradigm shift. According to Kuhn, such a paradigm shift does not mean that a more highly evolved paradigm replaces the previous one. He argued that successive paradigms are equivalent, but that the human context transforms so profoundly with every change that the world looks incomparably different.

Contrasting with the vision of Kuhn is another vision in which man himself, and no one else, is responsible for the affairs of state and society. Adherents of this vision are convinced of the possibility of change. This vision is also common in management literature, such as the change management model of Lewin (1951). Using the metaphor of the transformation of a cube-shaped ice block into a star-shaped ice block, he refers to the three phases of change: unfreezing, changing and refreezing. Change can be initiated by unfreezing the existing balance (old situation) and then refreezing a new balance (desired situation). A comparable example is the eight steps of Kotter (1996), in which he starts by establishing a sense of urgency and ends by anchoring new approaches in the culture [77]. In contrast to Kuhn, who claims that a new generation is required to effect change, Lewin (1951) and Kotter (1996) argue that man himself can bring about change. The underlying vision is that practitioners can learn from good experiences, and abandon other experiences in favour of better ones, which leads to changing practices.

77 The 8 steps of Kotter are: 1. Increase the urgency for change. 2. Build a team dedicated to change. 3. Create the vision for change. 4. Communicate the need for change. 5. Empower staff with the ability to change. 6. Create short term goals. 7. Stay persistent. 8. Make the change permanent.

The adherents to this narrative believe that all practices will ultimately be rejected and replaced by better ones.

During the study, the respondents subscribed to both these change visions. One characteristic of Lewin (1951) and Kotter (1996) emerges from the third narrative concept: the worldview. From this it emerged that the executives and actors in and around the boards of governance had good experiences with communicative action. If these good experiences continue, then all other practices will ultimately be rejected and replaced by better ones. Considering this narrative, it would be advisable to share good experiences with each other; in this way the other practices can automatically be replaced by better ones. In the other narrative, Kuhn asserted that a change in the worldview is occurring. This was also shown –cautiously– in the present study. Section 4.1.3 indicates that the current Newtonian worldview is starting to show cracks. Furthermore, the respondents also stated that it would take a full generation before real change is going to occur in the implementation of corporate governance. This narrative actually indicates that people simply must wait, because change is going to happen in the subsequent generations, in one way or another. The study made one thing clear: both of the above narratives are credible. Moreover, although the opinions and ideas about change differ, in both narratives a change within corporate governance does take place. Notably, however, in both narratives there is no urgency for change. Even today it seems that no real urgency for change is felt or experienced. The lack of a moral perspective could possibly play a role here as well. Actors do not look at their own boards in this way, and are not accustomed to looking any boards in this way.

If readers expect me to make recommendations in this section in the form of a step-by-step plan, I must disappoint them. This study has shown that corporate governance is a broad concept. Although broad patterns are distinguishable in the narratives, it should be remembered that they refer to very specific context. No step-by-step plan is available to solve all these problems. They are simply too complex. A tailor-made approach will be required. Nevertheless, there are a number of ideas that I want to draw attention to, which could also lead to positive change.

The most important remark is that it is important for actors in and around the board of governance being (worldview), valuing (institutional

framework) and acting (mode of practice) at corporate governance from a broader perspective.

The worldview of actors in and around the boards of governance will shift more and more from a Newtonian worldview to a broader perspective: the holistic worldview. They will view corporate governance from the perspective of the individual and the environment (being) and could try to learn to how perceive and act from a broader societal perspective. They must learn to manage the expectation of society. When changes occur, such as investing in cluster bombs no longer being socially acceptable, they must consider not only cluster bombs but also (more broadly) other things that may not be accepted in the future, such as investing in fossil fuels.

In the institutional framework, the emphasis should not be on narrow regulatory characteristics such as stringent laws and regulations, but should also be placed in a broader perspective. Actors in and around the boards of governance will have to pay more attention to cultural aspects. They should reflect on the present tensions and then initiate a discussion on the established structures for interaction, behaviour and control. The actors in and around the boards of governance should enter into a dialogue with their stakeholders. Important criteria for a good dialogue include listening, demonstrating expertise, being vulnerable, admitting mistakes, calling each other to account, explaining abuses and decisions, and expressing expectations. It is also important to demonstrate and value this process in organizations. A notable finding in this study is that many tensions surrounding corporate governance actually involve the lack of attention to normative characteristics (see Table 1.2). Within organizations, actors should more frequently ask themselves essential questions, such as: How is the function of the organization interpreted? How are the moral and philosophical guidelines for the implementation and management of the organization interpreted? Are the social values such as freedom and the foundation of self-esteem applied to everyone? Is there agreement between the values propagated by the executive board and the values of society?
The mode of practice for actors in and around the board of governance calls for a broader perspective: reflection on action. Why do things go the

way they do, with what consequences? Not only the actors in and around the boards of governance, but also supervisory organizations such as the AFM and the DNB would do well to ask themselves such questions. Reflexive action deserves attention, but for that to happen people have to be open. They must have sense for urgency. When do they feel this urgency? This question could be investigated in future research. Perhaps the most important finding of this study is that communicative action which aims at consensus, and not at results, leads to positivity in all stakeholders.

In closing, and final train of thought from my research efforts, in line with Kuhns more radical change vision is: What would happen if actors no longer assumed that the executive board is responsible for the results of an organization, but held the executive board accountable for the process, in which consensus is important? When I look at this study, I expect that totally different dynamic could occur in which the conflicting interests and dual roles play a smaller role and in which there would presumably be more attention to the moral perspective. In this new structure, governance might then be based much more on seeking a balance of power from a broader perspective in which moral thinking, next to instrumental thinking, is given attention. And what would this type of thinking mean for the content of organizations? Would people not have a much more humane organization in which people would take much more account of each other and achieve alignment? In short, should we not base our actions on the mode of practice in which consensus is more important than results? In other words, I want actors in and around the boards of governance to take a broader perspective. Currently, actors are focused on their own interests and roles. This is because their role in the organization makes them responsible for results. Changing their roles and thereby their responsibility would mean a change of perspective would be possible. This new perspective could be a more holistic one taking into account societal interests as well. The point of this dissertation has been that tensions will be present and they might even increase but this new way of working might leave actors better equipped to engage with, rather than ignore, *tensions in the boardroom.*

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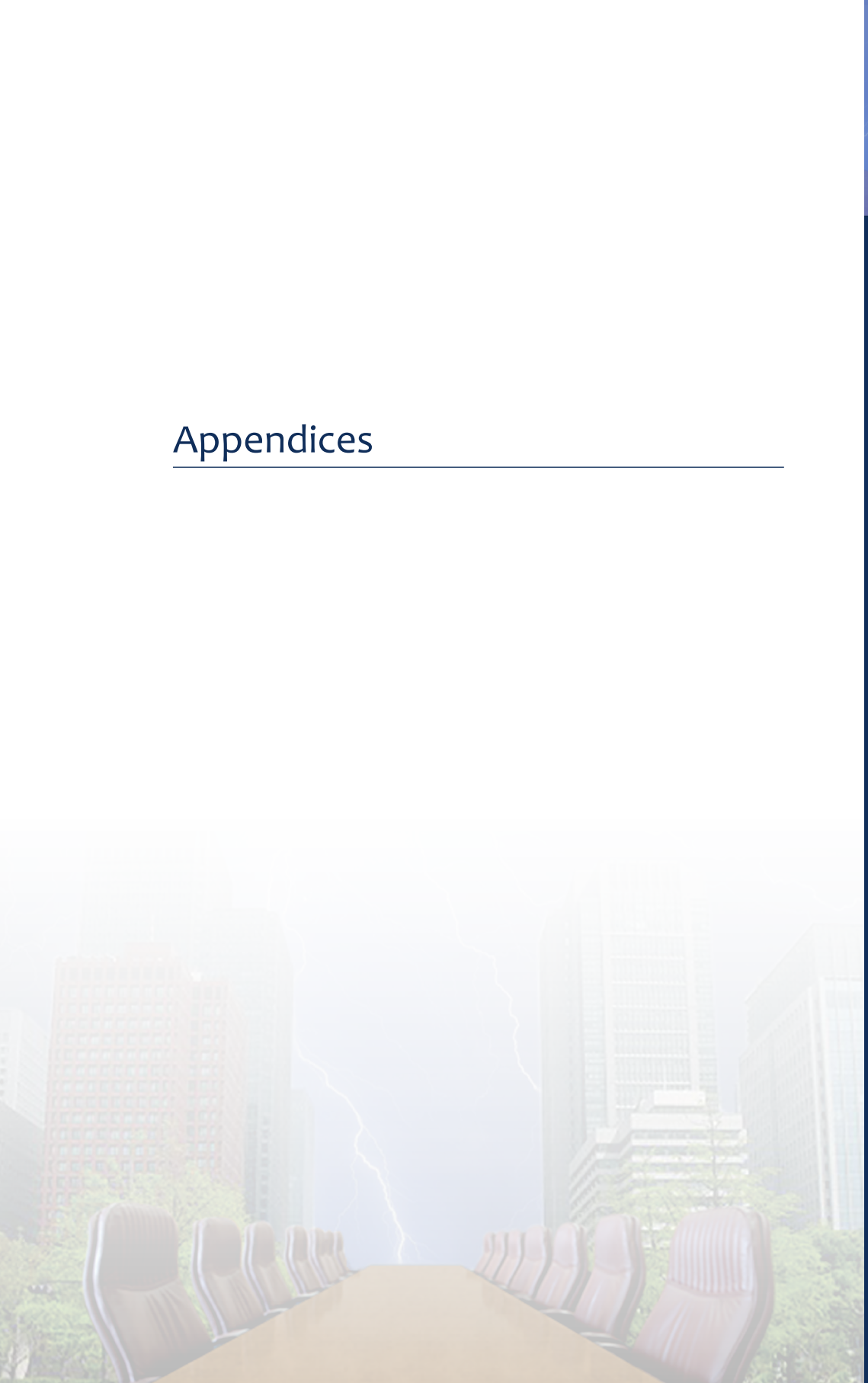
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Appendices



Appendix I: Context study

Job titles and background of interviewed respondents as part of the context study

Code	Job title	Date	Male	Age ≥ 50 years	University education	Economics education	Law education	Sideline activities	Parrtime position	Organization
CDB1	Corporate Director	6 03 2007	V		V	V		V		Bank
DB2	Director	31 03 2007	V		V	V		V		Bank
HBB3	Head of Administrative Affairs	9 03 2007	V		V	V		V		Bank
BP4	Member of the executive board	24 10 2007	V	V	V		V	V	V	Pension fund
HBP5	Head of Administrative Affairs	30 11 2007			V			V		Pension fund
LOB6	Member of the Works Council	15 02 2008	V		V	V		V	V	Bank
BB7	Member of the executive board	3 06 2008	V		V	V		V		Bank
ABB8	Investment Advisor executive board	10 09 2008	V	V	V	V		V		Bank
MAP9	Manager Accounting & Reporting	14 01 2009	V		V	V				Pension fund
SAP10	Strategic Advisor Corporate Governance	14 01 2009	V		V	V		V		Pension fund
BP11	Member of the executive board	16 022009	V	V	V			V		Pension fund
LDP12	Member of Participants Council	5 03 2009		V	V			V	V	Pension fund
HGU13	Professor of Governance	30 06 2010	V		V		V	V	V	Univer-sity

Observation locations or meetings for the context study

Code	Description of the location or meeting where the observation was made	Concerns	Date
WBP1	Workplace of a member of the executive board	Pension fund	24 October 2007
RP2	Reception area	Pension fund	30 November 2007
RB3	Reception area	Bank	1 April 2008
WBB4	Workplace of members of the executive board	Bank	17 June 2008
HBP5	Gentlemen's club	Banks and pension funds	14 April 2010
SP6	Seminar "investing in society", organized by the ABP pension fund	Pension fund	21 June 2007
BO7	Meeting with local residents	Bank	23 April 2009
SBP8	Symposium "Toezicht bij de les" ("Supervision at class") organized by the National Registry of Members of Supervisory Boards	Banks and pension funds	13 May 2009
TP9	Presentation of Governance Toolkit for pension funds organized by the National Registry of Members of Supervisory Boards	Pension funds	31 August 2011
SBP10	Symposium on Corporate Governance handbook	Banks and pension funds	30 May 2011

Appendix II: Case studies

The job titles of the respondents of the interviews for the case studies

Code	Component of the organization	Job title	Date	Male	Age ≥ 50 years	University education	Economics education	Law education	Sideline activities	Part-time position
VWGF1	Executive board BPF (employers organization) BPF	Chair	28 Apr 2010	V		V	V	V	V	V
SWNF2	Executive board BPF (employee organization) BPF	Board Secretary	27 Jan 2010	V	V				V	V
LWGF3	Executive board BPF (employers organization) BPF	Member	16 Apr 2010				V		V	V
LWGF4	Executive board BPF (employee organization) BPF	Member	9 Apr 2010	V	V				V	V
DBBF5	Executive Office BPF	Director	14 Apr 2010	V		V	V			
ACPF6	Pension Administration BPF	Account Manager	27 Apr 2010	V	V	V			V	V
ACVM7	Portfolio Management BPF	Account Manager	27 Apr 2010	V		V	V		V	V
LBACF8	Investment Advisory Committee BPF	Member	13 Apr 2010	V		V	V		V	V
VDRF9	Participants Council BPF	Chair	12 Apr 2010	V	V				V	V
VRvTF10	Supervisory Council BPF	Chair	14 Apr 2010	V	V	V			V	V

CEOF11	Executive board Florabank	CEO	17 Feb 2009	V	V	V	V		V	
CFOF12	Executive board Florabank	CFO	2 July 2008	V	V	V		V	V	
COOF13	Executive board Florabank	COO	20 Nov 2008	V		V			V	
ADF14	Daily management of Netherlands branch Florabank	Managing Director	17 Nov 2008	V	V	V	V	V	V	
VAAOF15	Depository Receipt Holders Florabank	Foundation President Administration Office	29 July 2008	V	V	V		V	V	V
VRvCF16	Supervisory Board Florabank	Chair of Supervisory Board	1 Apr 2008	V	V	V		V	V	V
VORF17	The Works Council Florabank	Chair of the Works Council	20 Nov 2008	V			V		V	V

Appendix III: Matrix with interview questions

BPF Matrix Interview Questions

No.	Actor	Interest	Who's in charge? 1-12/13/14*	Who interact most frequently with the exective board? 1-12/13/14*
1	The AFM			
2	The DNB			
3	Supervisory Council			
4	Executive board			
5	IAC			
6	Participants Council			
7	Ececutive Office			
8	Portfolio Management			
9	Portfolio Management Advisor			
10	Accountability Body			
11	Pension Administration			
12	VB			
13	Other: ……			
14	Other: ……			

* 1= most often and 12/13/14= least often

Florabank Matrix Interview Questions

No.	Actor	Interest	Who's in charge? 1-11/12/13*	Who interact most frequently with the exective board? 1-11/12/13*
1	The AFM			
2	The DNB			
3	Supervisory Board			
4	CEO			
5	CFO/COO			
6	AAO			
7	Managing Director			
8	The Works Council			
9	Interest groups			
10	Consumers (customers)			
11	Government			
12	Other: ……			
13	Other: ……			

* 1= most often and 11/12/13= least often

English Summary

Chapter 1: The introduction of corporate governance in the Dutch financial sector

We read about it in newspapers, see it on television and talk about it during birthday parties, but do we really know what it means to work every day as an executive at an organization in the financial sector?

This dissertation tells stories about corporate governance from actors in and around the board of governance in the financial sector. After an extensive introduction to this research theme, Chapter 1 begins by making a distinction between objective and subjective corporate governance. This approach to corporate governance, which focuses on the number of incidents, can be referred to as the objective approach (Duijnhoven, 2010). A striking aspect of this approach is that rules, competencies, duties and responsibilities are considered as principles for *good corporate governance*. A question that periodically arises in the context of the objective corporate governance is whether laws, regulations and codes help to prevent fraud and accounting scandals. In accordance with the notion of Duijnhoven (2010), I refer to this attention to more implicit aspects as the subjective approach. The present study focused on the subjective approach to corporate governance of the executives, members of supervisory boards, works councils, employers associations, shareholder associations and other actors in and around corporate governance. Current developments and a historical overview of corporate governance show that corporate governance today is not only more about the shareholder and the owner, but also other stakeholders such as employees, advocacy groups, media and society. In addition, corporate governance is no longer limited to the economic distribution of profits, but also involves laws and regulations, ethics and corporate social responsibility. Within this broad concept of corporate governance, in which many actors and themes play a role, there are also various tensions.

The theoretical background to the tensions of corporate governance can best be explained by referring to Table 1.2. In theory, corporate governance can be roughly divided into three categories: the shareholder, the stakeholder and the community state welfare dimension (Waldman et al., 2006). In addition, two types of approaches can be used: instrumental and normative (Donaldson & Preston, 1995). In the instrumental approach, shareholders, stakeholders and the community welfare dimension are defined as individuals or groups that provide an important contribution to the continued existence of the enterprise (Donaldson & Preston, 1995). Janssen (1998) referred to target-utility ethics or utilitarianism, in which efficiency thinking is dominant. In the normative approach, corporate management not only has to deal with financial values, but also with intrinsic values (Donaldson and Preston, 1995). In this section it becomes clear that the theoretical tensions of corporate governance link up with the view of the de World Bank, which stated that corporate governance aims to ensure a balance between economic and social goals and between individual and communal goals, (Sir Adrian Cadbury at the Global Corporate Governance Forum, World Bank, 2000). When a study focuses on how actors give shape to the tensions within corporate governance, then particular focus is required on how people in everyday life talk about and cope with tensions that are related to corporate governance. This means that if one wants to know more about how people give shape to corporate governance, then one is compelled to delve into how people in everyday life make sense of this concept. Building on this approach, the following research question is central in this study:

How do actors in and around the board of governance in the financial sector make sense of the tensions in corporate governance and how does this manifest itself in practice at a bank and a pension fund?

Chapter 2: Making sense of corporate governance

In the second chapter, the first research question is answered: "How is the concept of sensemaking of tensions in corporate governance

operationalized in the literature?". This study began from a cultural dimension of corporate governance. It is therefore not surprising that the study, the research object and the methodology all have an anthropological starting point. In the present study, corporate governance is not viewed as a static concept, but as a dynamic one: people interact and exchange meanings about corporate governance, and they create the effective corporate management themselves. According to Weick (2005), the process of sensemaking does not involve an accurate and verifiable answer, but a plausible argument. The researcher must empathize with the sensemaking of the actor, and place herself in the role and the mindset of the subject. In this context, Veenswijk (1996) referred to shared signification frameworks and value orientations. Berger and Luckmann (1966) introduced the term social construction for this process. They assumed that the world is essentially meaningless, and is given meaning only by the observer. In other words, reality is a construction that takes place in a social context. One way to examine how language constitutes a social reality is by doing discourse analysis. Roughly speaking, there are two approaches to discourse analysis: the linguistic approach and the narrative approach. The linguistic approach was inspired by De Saussure (1966), Wittgenstein (1976), Derrida (1967, 1972) and Chomsky (1957), and is closely related to linguistic theory. Adherents of the narrative approach, such as Barthes (1957), Boje (1991), Burke (1969), Czarniawska (1998), Frye (1959), Gabriel (2000) and Gergen (1999), are not concerned with how people create meanings, as in the linguistic approach, but what they do with meanings: causing change and stopping change in textual, real-world and social contexts. However, the boundary between the linguistic and narrative approach is not clearly demarcated (Pijnenburg, 2004:31), and the approaches do not exclude each other. Nevertheless, it should be noted that in this study, following the example of Alvesson & Karreman (2000), Chia, (2000) Grant et al. (2004) Grant and Iedema (2005), Hardy et al. (2000), Keenoy et al. (2000) and Oswick et al. (2000), the narrative approach is emphasized.

The choice of the narrative approach to corporate governance in the present study has certain implications. A conceptual framework is needed to better understand the practices of corporate governance. The conceptual framework of this study is based on two pillars that are linked to each other in the conceptual framework. The first pillar consists of the narrative lens, which is characterized by stories and narratives. These stories provide the data for the analysis, but more importantly they form the core of the theoretical part of the study. In this study, the grand narratives, variants and counter narratives of corporate governance provide the means to look at how actors in and around the board of governance make sense of corporate governance and the tensions that play a role in this process. The second pillar, which helps to elucidate the sensemaking and sensegiving of corporate governance, is the use of three narrative concepts: the worldview, institutional framework and mode of practice. To operationalize the narrative concepts, the concept of ideal types was used. By using ideal types, researchers can map out the tensions and provide a theoretical yardstick. In this way, the narrative concept of the worldview was operationalized using the ideal-typical Newtonian worldview and the ideal-typical holistic worldview. For the narrative concept of the institutional framework, the ideal type involved the regulatory, cognitive and normative characteristics of institutions (Scott, 2001: 33 and Table 2.3.1). And the mode of practice was operationalized based on the ideas of Habermas, in which he made a distinction between two ideal types (Section 2.3.1) of responsible action: strategic action in the systems world and communicative action in the lifeworld. By linking the three types of stories to the narrative concepts, a narrative table is created which serves as a theoretical point of departure for the analysis (Figure 2.4).

Chapter 3: Research methodology

In this chapter, the philosophical and methodological considerations of this study are outlined. Ontology is the first philosophical standpoint from which to view science. If the description of the three positions of ontology is related to the central topics of this study –sensemaking,

sensegiving and interaction– then it becomes clear that idealism is the most suitable ontological position from which to view reality. The ontological assumptions are closely related to the epistemological assumptions. The social constructivist perspective of the present study has a direct link with interpretivism. The supporters of the interpretative approach share an appreciation for the role of language. This focus on language also increases the interest in the narrative perspective by the supporters of the interpretative approach. This study is qualitative in nature in accordance with idealism and interpretivism as philosophical standpoints. To understand how executives interpret and make sense of corporate governance, an organizational anthropology approach was chosen. In contrast to many other scientific disciplines, organizational anthropology pays much attention to history, context and processes (Bate, 1997). Besides its holistic viewpoint, anthropology has two ways of looking at reality: from an *emic* and *etic* perspective (Martin, 2002). During the various steps of the research process (Table 3.2) for this study, both the emic and the etic perspective were used. The researcher argues that there could never be a completely insider or outsider perspective in research. There is entanglement, but both perspectives can be present at the same time. Furthermore, in this study the principles of the Code of Conduct of the Association of Dutch Universities such as precision, reliability, verifiability, impartiality and independence applied (VSNU, 2012).

The ontological and epistemological standpoint and the organizational anthropology approach had consequences for the research methodology. This study into the sensemaking of areas of tension in corporate governance takes a organizational anthropology approach and is therefore explorational-qualitative in character. It is about identifying the guiding principles of corporate governance and improving the understanding of the reality construction about corporate governance. The fieldwork was split into two phases. The first phase was an explorative context study, and the second phase consisted of two case studies: BPF and Florabank. Both phases were conducted largely in parallel between March 2007 and August 2011. The context study was

exploratory in nature; its aim was to acquire knowledge and understanding of the sensemaking about corporate governance in the financial sector. The following research methods were used to conduct the context study: interviews, observations and documentary analysis. Phase two of the field research focused on the executives and actors in and around the board of governance in a specific organizational context. In view of the importance of the context in social constructivist research, a case study approach was chosen. Two data collection methods were used for the case studies: in-depth interviews and documentary analysis. These methods are explained in more detail below. To structure both the context study and the case study, Creswell's (2006) six steps for analyzing and interpreting qualitative data were used.

Sketches of the context of the financial sector: a brief overview

This section sketches the context which surrounds both casestudies. Financial crisis, greed and bonus culture are key words of this discursive context and a brief discussion of them serves to introduce the case studies (BPF and Florabank).

Chapter 4: BPF

This chapter presents the case study of BPF, a sector-wide pension fund, with the aim of answering the second research question: "how do actors in and around the boards of governance of BPF and Florabank deal with tensions within corporate governance"? The findings of this case study are presented in this chapter with the aid of logic. Three types of logic can be distinguished: the logic of the agent, of the institute and of practice. These three types of logic can be considered as three separate concepts that can be given shape based on quotations from the interviews or narratives from the case study. In Section 4.1 the logic of the key players or the actors is addressed. Although the actors in and around the board of governance were diverse, it turned out that they were all representatives of a constituency or organization, and they oriented their thinking accordingly. And due to their education in economics or law and their background, they thought in a utility-oriented

and rational fashion. The results show that all respondents saw corporate governance as rules and regulations. From the findings it is also evident that the actors and around the board of governance experienced pressure and uncertainty due to the financial crisis, credit crisis and banking crisis but in particular by the crisis of trust. Section 4.2 focuses on the logic of the institute. Based on the narratives about the initial values, the organizational model, the authority and the management methods, it is clear which written and unwritten rules are important in the organization. The following rules of thumb can be found in the narratives: you must be faithful to your constituency, the executive board has the final decision, and you must play the formal role that you are expected to play. These rules can also be described as the institutional logic. Section 4.3 shows that narratives about practice can be used to understand that people in practice are faced with various types of logic, which are in conflict with each other. The narrative about the dual roles shows, for example, that you not only must be faithful to your constituency, but that you must also fulfill the collective mandate (the formal role). And the tension in the grey area of rules and regulations and in the interaction with the DNB shows that there is room for action within the areas of tension.

Chapter 5: Florabank

Like the previous chapter, this chapter also answers the second research question, and it presents the findings of the Florabank case study with the aid of various types of logic. The aim is not to compare the case studies, but to gain insight into the sensemaking about corporate governance. The topics in the various sections are therefore not identical to the topics in the previous chapter. However, like the previous chapter, the three types of logic –actor logic, institutional logic and logic of practice– are used to explain the narratives from the case studies. Section 5.1 focuses on the logic of the actors. The respondents from Florabank can be characterized as a homogeneous group consisting of middle-aged Dutch males with backgrounds in economics or law. The men hold ancillary positions in foundations and associations in the area

of sustainability or which are in line with the original philosophy of the Florabank. This background reflects the rational and utility-oriented thinking, but also the involvement with the ideals of the bank. Furthermore, Section 5.1 shows that the history of the founding of the bank appears to play an important role even today. In particular, the involvement with respect to the sustainable character and original philosophy of the bank characterize the organization. This affinity with sustainability can also be seen in the CEO. Besides being an idealist, the CEO is also a pioneer and a visionary. He is accustomed to working in a solution-oriented fashion, and in his narratives about how he thinks about management, the logic of thinking in terms of control is dominant.
Section 5.2 focuses on the logic of the institute. Based on narratives about rules and regulation, culture, bylaws, authority and informal structures, it becomes clear which rules of thumb are important in the organization. Although this is not mandatory, the actors complied with the rules and regulations, but they felt that this is how it should be. The bylaws ensure that actors in and around the board of governance of Florabank understand their statutory roles and what is expected of them. Besides formal rules, there is also an informal world within Florabank. In this informal world, the CEO plays a directing and controlling role. Another important unwritten rule is that you must feel connected to the mission of the bank. Section 5.3 shows that narratives about practice can be used to understand that people in practice are faced with various types of logic, which are in conflict with each other. The narrative about the criticism of rules and regulations shows, for example, that the respondents experience the implementation of rules and regulations as very burdensome. The respondents indicated that they look for the grey areas in the rules and regulations. The narrative about informality and formality shows that there is space to choose how one acts, but that one is simultaneously held captive in the system of informal and formal rules. The last story about the balance between ideals shows that actors have different ideas about the implementation of their ideals. These different views provide tension.

Chapter 6: A narrative analysis

This chapter presents the analysis of this study. The starting point for this analysis was the narrative table in the chapter on theory (Table 2.4). This narrative table was filled in by zooming in on the text and zooming out on the environment, and by linking the micro and macro levels with each other (Fairclough, 1992). The findings from the case studies have shown that this can be described as a narrative soup (Boje, 2001). Three basic narratives about corporate governance can be distinguished: corporate governance is complying with rules and regulations (Section 6.1.1), corporate governance is attaching value to written rules (Section 6.1.2), and corporate governance is maintaining a balance between various interests (Section 6.1.3).

This study has shown that the tensions in corporate governance occur in three ways.

First there is tension between the grand narratives and the counter narratives (Section 6.2.1). In the first narrative, although people want to comply with the rules and regulations, they simultaneously have to deal with practical considerations that sometimes make this impossible, and with the fact that they are operating a company or organization and are held to account for the financial results. In the second narrative on corporate governance, the tension is between the formal and informal worlds. And in the third basic narrative, people act on one side to maintain a balance between the various interests, and the other side they pursue the collective interest (BPF) or the organizational interest (Florabank). Based on the examples from the case studies, the tensions are explained.

Second, there is a diversity of tensions between the individual, organizational and societal levels of corporate governance (Section 6.2.2). One example of tension between the individual and organizational level is the conflict about the practical feasibility of the bank's ideals. An internal discussion took place within the bank about how the ideals should be given shape in practice. In Section 5.3.4, it is shown how this can lead to tensions. Section 4.3.5 also shows how the tension between

the organizational and social levels of corporate governance influence the actions within an organization. Due to pressure from the media and from the societal debate on investing in cluster munitions, both DPF and Florabank revised their investment policies.
Third, the analysis showed that there are tensions within and between the narrative concepts. In Section 6.2.1 it becomes clear that the Newtonian worldview is dominant among actors in and around the board governance at both BPF and Florabank. Personality traits also turned out to be decisive for actions in and around the board governance. For example, the personality traits of the CEO have consequences for these actions. Moreover, the neoliberal context of this era can be determinative for the worldview. Notably, the interviews at both BPF and Florabank showed that developments were ongoing which could not be dealt with by the Newtonian worldview. One example is how the actors deal with journalists and freethinkers who are important opinion leaders in the societal debate. From Section 6.2.2, it emerged that the regulative and cultural-cognitive anchors are dominant. The historical narratives turned out to play a major role in this respect. It is striking that the normative anchors played a subordinate role. The regulative, cultural-cognitive and normative anchors showed that habits, morals and interests –as unintended side effects– also produce and transform unequal relationships. Section 6.2.3 makes it clear that both strategic and communicative action took place at BPF and Florabank. From both case studies it emerged that communicative action resulted in positive experiences for executives as well as other actors. The study also revealed that the personality traits of the members and the composition of the board determine the choice for communicative or strategic action.

The third research question "Which explanatory factors can be identified in and around the boards of governance in the financial sector that elucidate the tensions in corporate governance?" is also answered in this chapter. Three factors emerged from the analysis that can explain the areas of tension within corporate governance: scene, space for improvisation and conflicting plotlines (Section 6.3).

Chapter 7: Conclusions

The general conclusion of this study is that the tensions in corporate governance involve the search for a balance of power. This is consistent with the assertion of Cools (2005) that corporate governance is about the balance of power. This general conclusion can be explained in three ways. Firstly, the analysis showed that the tensions between the grand narratives and the counter narratives always involve conflicting interests and double roles. Secondly, in corporate governance there are tensions between the individual and organizational level and the societal and organizational level. The study also showed that there is a gap between this everyday practice and the individual and society, in which there is a power struggle between economic and social values. And thirdly, the actors in and around the board of governance in both case studies were confronted with a new era characterized by power shifts in which people struggled with concepts such as democracy and internationalization.

The contribution of this study to theory lies in its narrative approach. This narrative approach contributed to the insights on corporate governance and showed that corporate governance is a broad, dynamic, complex and powerful concept. The narrative model about being, valuing and acting (Figure 2.3) showed how the practice of corporate governance can be viewed from the perspective of theory. Furthermore, this study has provided a conceptual framework which could potentially be used to perform future research. A number of theoretical insights also emerged from the study, such as the explanatory factors for the tensions in corporate governance. The study contributes to practice at three levels: the individual, the organizational and the societal. These practical insights are presented in Section 7.2.

The final section of the study closes with a number of reflections and predictions about the concept of corporate governance. This study shows that the concept of corporate governance is not only seen as an answer to the problems of the financial sector, but also that this concept goes astray in the boardroom: the board members make mistakes about the path they must take. They commit a wrong deed or cherish an incorrect thought, while believing they are acting correctly. Corporate

governance thus appears to be more of a narrative-based reinforcement of the problems than an effective solution.

One of the main reasons this happens is that all of the narratives showed that corporate governance is almost always viewed instrumentally and rarely from a normative approach. This could be explained with the term *bounded morality* (Beitz, 1979; Torsello, 2015). A second closing thought is that this study has shown that rules and regulations are only part of the solution, but that there is also space for the actors in and around the boards of governance. The observation that rules and regulations do not always help organizations towards proper behavior led me to the thought that the moral perspective is also lacking here. This observation is not new in the social sciences. Acker (2006), a gender studies scientist, previously used the term inequality regimes to describe how interlocked practices and processes result in continuing inequalities in all work organizations.

My final closing thought concerns the question, what is the future of corporate governance? Answering this question is not a simple task. For this purpose, I used two visions. The first vision is based on the writing of the philosopher of science Thomas Kuhn. Kuhn (1962) is convinced that change occurs through sudden paradigm shifts, i.e. changes in worldview. The existing worldview will be replaced because the corresponding generation of executives will die, and new worldviews will emerge with new generations of executives. Contrasting with the vision of Kuhn is another vision in which people can actually make a difference. Two examples are the change management model of Lewin (1951) and the 8-step model of Kotter (1996). The underlying vision is that practitioners can learn from good experiences, and abandon other experiences in favour of better ones, which leads to changing practices. The study made one thing clear: both of the above narratives are credible. Moreover, although the opinions and ideas about change differ, in both narratives a change within corporate governance does take place. Notably, however, in both narratives there is no urgency for change. Even today it seems that no real urgency for change is felt or experienced. The lack of a moral perspective could possibly play a role here as well.

According to the researcher, corporate governance must be viewed from a broader perspective. The Newtonian *worldview* will shift to the broader perspective of the holistic worldview. Actors must view corporate governance from the perspective of the individual and the environment (being). When changes occur, such as investing in cluster bombs no longer being socially acceptable, one must consider not only cluster bombs but also (more broadly) other things that may not be accepted in the future, such as investing in fossil fuels.

In the *institutional framework*, the emphasis should not be on narrow regulatory characteristics such as stringent laws and regulations, but should be placed in a broader perspective. Actors in and around the boards or governance will have to pay more attention to cultural aspects. They should reflect on the present tensions and then initiate a discussion on the established structures for interaction, behaviour and control. A notable finding in this study is that many tensions surrounding corporate governance actually involve the lack of attention to normative characteristics. Within organizations, people should more frequently ask themselves essential questions, such as how is the function of the organization interpreted? How are the moral and philosophical guidelines for the implementation and management of the organization interpreted? Are the social values such as freedom and the foundation of self-esteem applied to everyone? Is there agreement between the values propagated by the executive board and the values of society?

Moreover, the *mode of practice* for actors in and around the boards of governance calls for a broader perspective: reflection on action. I close with a reflection. What would happen if actors no longer assumed that the executive board is responsible for the results of an organization, but instead held the executive board accountable for the process in which consensus is important? According to the researcher, this new approach would mean viewing things more from a broader perspective in which moral thinking, and not just instrumental thinking, receives more attention.

There will always be tensions in the future and these may even increase, but by viewing corporate governance from a broader perspective, actors in and around the boards of governance will be better equipped to deal with *Tensions in the boardroom*.

Nederlandse samenvatting (Dutch Summary)

Hoofdstuk 1: Introductie

Wij lezen er over in kranten, kijken er naar op televisie en praten er over tijdens verjaardagen, maar weten wij wat het betekent om elke dag te werken als bestuurder van een organisatie in de financiële sector?

Dit proefschrift vertelt verhalen over corporate governance van actoren in en rondom het bestuur in de financiële sector. Na een uitgebreide inleiding van dit onderzoeksthema start hoofdstuk 1 met een onderscheid in objectieve en subjectieve corporate governance. Corporate governance, waarbij het aantal incidenten centraal staat, kan in navolging van Duijnhoven (2010) de objectieve benadering worden genoemd. Opvallend is dat in deze benadering regels, bevoegdheden, taken en verantwoordelijkheden als beginsel worden beschouwd voor *good* corporate governance. Een vraag die in de context van de objectieve corporate governance regelmatig naar voren komt is of de wet- en regelgeving en codes helpen om fraudes en boekhoud-schandalen te voorkomen. De aandacht voor meer impliciet gegevenheden noem ik in navolging van Duijnhoven (2010) de subjectieve benadering. In deze studie zal de subjectieve benadering van de bestuurders, commissarissen, leden van ondernemings-, werkgevers- en werknemersraden en stichtingen van aandeelhouders en andere actoren rondom het bestuur ten aanzien corporate governance centraal staan. De huidige ontwikkelingen en een historische schets van corporate governance laten zien dat corporate governance heden ten dagen niet alleen meer gaat over de aandeelhouder en de eigenaar, maar ook over andere belanghebbenden zoals werknemers, belangengroepen, media en de maatschappij. Daarnaast gaat corporate governance niet alleen meer over de verdeling van economische verdeling van winsten, maar over wet- en regelgeving, ethiek en maatschappelijk verantwoord ondernemen. Binnen dit brede begrip van corporate governance, waar vele verschillende actoren en thema's een rol spelen, is sprake van verschillende spanningsvelden.

De verschillende theoretische spanningsvelden van corporate governance worden toeglicht in tabel 1.2. Corporate governance kan

theoretische grofweg ingedeeld worden drie soorten categorieën, namelijk de shareholder, stakeholder en community state welfare dimensie (Waldman et al., 2006). En daarnaast kan er gebruik worden gemaakt van twee soorten benaderingen namelijk de instrumentele en normatieve benadering (Donaldson & Preston, 1995). In de instrumentele benadering worden shareholders, stakeholders en community state welfare dimensie aangemerkt als individuen of groepen die een belangrijke bijdrage leveren aan het voortbestaan van de onderneming (Donaldson & Preston, 1995). Janssen (1998) spreekt van doel-nut ethiek ofwel het utilitarisme waarbij het efficiëntie denken domineert. In de normatieve benadering heeft het bestuur niet alleen te maken met financiële waarden maar ook met de intrinsieke waarden (Donaldson & Preston, 1995). In deze paragraaf wordt duidelijk dat de theoretische spanningsvelden van corporate governance overeen komen met de opvatting van de World Bank, die aangeeft dat corporate governance tot doel heeft te zorgen voor een balans tussen economische- en sociale doelen en tussen individuele en gemeenschappelijke doelen (Sir Adrian Cadbury in Global Corporate Governance Forum, World Bank, 2000). Wanneer een onderzoek zich richt op de wijze waarop actoren vorm geven aan de spanningsvelden binnen corporate governance, dan is verdieping vereist in hoe mensen in het dagelijks leven praten over en omgaan met spanningsvelden die met corporate governance te maken hebben. Dit betekent dat wanneer men meer kennis wil vergaren over de manieren waarop mensen vorm geven aan corporate governance, men genoodzaakt is zich te verdiepen in hoe mensen in het dagelijks leven hier betekenis aan geven. Voortbouwend op deze zienswijze staat de volgende onderzoeksvraag centraal in deze studie:

Op welke wijze geven actoren in en rondom het bestuur van de financiële sector betekenis aan de spanningsvelden van corporate governance en hoe manifesteert dit zich in de praktijk van een bank en een pensioenfonds?

Hoofdstuk 2: Betekenis geven aan corporate governance

In het tweede hoofdstuk is antwoord gegeven op de eerste onderzoeksvraag: Hoe is het concept van betekenisgeving van

spanningsvelden van corporate governance geoperationaliseerd in de literatuur? Dit onderzoek start vanuit een cultureel perspectief van corporate governance. Het is dan ook niet vreemd dat zowel het onderzoeksobject als de methodologie van deze studie een antropologisch vertrekpunt kent. In deze studie wordt corporate governance niet beschouwd als iets statisch, maar als een dynamisch concept: mensen interacteren en wisselen betekenissen uit over corporate governance en zullen zelf het deugdelijk (ondernemings)bestuur maken. Het proces van betekenisgeving gaat niet over een accuraat en verifieerbaar antwoord, maar om een aannemelijke redenering aldus Weick (2005). De onderzoeker moet zich inleven in de zingeving van de actor, zich verplaatsen in de rol en de gedachtewereld van het subject. Veenswijk (1996) heeft het in deze context over gedeelde zingevingskaders en waardeoriëntaties. Berger en Luckmann (1966) introduceerden hierbij de term sociaal constructie. Zij beweren dat er sprake is een betekenisloze wereld die pas zin krijgt door de zingevende waarnemer. Met andere woorden de werkelijkheid is een constructie die plaats vindt in een sociale context. Een manier om te onderzoeken hoe taal een sociale werkelijkheid wordt is het doen van discoursanalyse. Grofweg zijn er twee verschillende benaderingen van discoursanalyse, de linguïstische benadering en de narratieve benadering. De linguïstische benadering werd geïnspireerd door De Saussure (1966), Wittgenstein (1976), Derrida (1967, 1972) en Chomsky (1957) en is nauw verwant met de taalkundige theorie. Aanhangers van de narratieve benadering zoals Barthes (1957), Boje (1991), Burke (1969), Czarniawska (1998), Frye (1959), Gabriel (2000) en Gergen (1999) gaan niet zoals bij de linguïstische benadering uit naar hoe mensen betekenissen maken maar wat mensen doen met betekenissen: veranderingen bewerkstelligen en tegenhouden in tekstuele, reële en sociale context. De grens tussen de linguïstische en narratieve benadering is niet scherp te trekken (Pijnenburg, 2004: 31). Evenmin sluiten de benaderingen elkaar uit. Wel moet opgemerkt worden dat in navolging van Alvesson en Karreman (2000), Chia (2000), Grant et al. (2004), Grant en Iedema (2005), Hardy et al. (2000), Keenoy et al. (2000) en Oswick et al. (2000) in deze studie de nadruk wordt gelegd op de narratieve benadering.

De keuze voor de narratieve benadering van corporate governance heeft consequenties voor de bestudering van corporate governance in deze studie. Er is een conceptueel framework nodig om de praktijken van corporate governance beter te kunnen begrijpen. Het conceptueel framework van deze studie berust op twee pijlers die aan elkaar worden gekoppeld. De eerste pijler bestaat uit de narratieve lens die wordt gekenmerkt door verhalen en verhaallijnen. Deze verhalen vormen niet alleen de data van analyse maar vooral de kern van het theoretische deel. In deze studie zijn de basisverhalen, varianten en counterverhalen van corporate governance een middel om te kijken naar hoe actoren in en rondom het bestuur betekenis geven aan corporate governance en welke spanningsvelden daarbij een rol spelen. De tweede pijler die gericht is om meer inzicht te krijgen in de betekenisgeving en zingeving van corporate governance is het gebruik van drie narratieve concepten te weten *worldview*, *institutional framework* en *mode of practice*. Om de narratieve concepten te operationaliseren is gebruik gemaakt van het begrip ideaaltypen. Door gebruik te maken van ideaaltypen kan de onderzoeker de spanningsvelden in kaart brengen en een theoretische meetlat verschaffen. Zo is er bij het concept *worldview* gebruik gemaakt van het ideaaltypische Newtoniaanse *worldview* en het ideaaltypische holistische *worldview*. Bij het concept *institutional framework* gaat het over regulatieve, cognitieve en normatieve karakteristieken van instituties (Scott, 2001: 33 en tabel 2.3.1). En de *mode of practice* is gebaseerd op het gedachtegoed van Habermas waarbij hij onderscheid maakt tussen twee ideaaltypen (paragraaf 2.3.1) van verantwoord handelen, te weten strategisch handelen in de systeemwereld en communicatief handelen in de leefwereld. Door de koppeling van de narratieve lens aan de narratieve concepten ontstaat een narratieve tabel die als theoretisch uitgangspunt dient voor de analyse (figuur 2.4).

Hoofdstuk 3: Onderzoeksmethodologie

In dit hoofdstuk worden de filosofische en methodologische overwegingen van deze studie geschetst. Het eerste filosofische standpunt om naar de wetenschap te kijken is de ontologie. Wanneer de beschrijving van de drie posities van de ontologie (tabel 3.1.1) in relatie wordt gebracht met de centrale onderwerpen van dit onderzoek

namelijk betekenisgeving, zingeving en interactie wordt duidelijk dat idealisme de ontologische positie is om binnen dit onderzoek naar de werkelijkheid te kijken. De ontologische vooronderstellingen zijn nauw verwant met de epistemologische vooronderstellingen. Het sociaal constructivistische perspectief van dit onderzoek heeft een directe link met het interpretivisme. De aanhangers van de interpretatieve benadering delen een waardering voor de rol van taal. Zo'n focus op taal verhoogt ook de interesse in het narratieve perspectief door de aanhangers van de interpretatieve benadering. In navolging van het idealisme en het interpretivisme als filosofisch standpunt is het onderzoek kwalitatief van karakter. Om inzicht te krijgen op welke wijze de bestuurders invulling en betekenis geven aan corporate governance is gekozen voor een organisatieantropologische benadering. In tegenstelling tot andere wetenschappelijke disciplines is bij de organisatieantropologische benadering veel aandacht voor historie, context en processen (Bate, 1997). Naast een holistische manier van kijken kent de antropologie twee manieren van kijken naar de te onderzoeken werkelijkheid, namelijk vanuit een *emic* en een *etic* perspectief (Martin, 2002). In de stappen van het onderzoeksproces (tabel 3.2) van deze studie wordt zowel het emic als het etic perspectief toegepast. De onderzoeker beweert dat nooit sprake kan zijn van een complete *insider* of *outsider* perspectief. Er is sprake van verstrengeling maar ook kunnen op hetzelfde moment beide perspectieven voorkomen. Verder worden tijdens deze studie de principes van de gedragscode van de Vereniging van Samenwerkende Nederlandse Universiteiten zoals zorgvuldigheid, betrouwbaarheid, controleerbaarheid, onpartijdigheid en onafhankelijkheid toegepast (VSNU, 2012).

Het ontologische en het epistemologische standpunt en de organisatieantropologische benadering hebben gevolgen voor de onderzoeksmethodologie. Deze studie naar de betekenisgeving van spanningsvelden binnen corporate governance volgt een organisatieantropologische benadering en is hiermee explorerend kwalitatief van karakter. Het gaat erom leidende principes van corporate governance op te sporen en werkelijkheidsconstructie over corporate governance beter te leren begrijpen. Het veldwerk is opgesplitst in twee

fasen. De eerste fase is een verkennende contextstudie en de tweede fase bestaat uit het uitvoeren van twee casestudies, namelijk BPF en Florabank. Beide fases vonden grotendeels naast elkaar plaats in de periode tussen maart 2007 en augustus 2011. De contextstudie is verkennend van aard. Er wordt getracht via deze contextstudie kennis en inzicht te verkrijgen in de betekenisgeving van corporate governance in de financiële sector. Bij het uitvoeren van de contextstudie is gebruik gemaakt van de volgende onderzoeksmethodieken: interviews, observaties en een documentenonderzoek. Fase twee van het veldonderzoek stelt de bestuurders en actoren in en rondom het bestuur in een specifieke organisatiecontext centraal. Gezien het belang van de context in sociaal constructivistisch onderzoek is gekozen om gebruik te maken van een casestudybenadering. Bij de bestudering van de casestudies is gebruik gemaakt van twee dataverzamelingsmethodieken, namelijk diepte-interviews en documentenonderzoek. Om de data-analyse van zowel de contextstudie als de casestudy te structureren zijn de zes stappen voor het analyseren en interpreteren van kwalitatieve gegevens van Creswell (2008) gebruikt.

Schets van de context van de financiële sector: een kort overzicht
Dit gedeelte schetst de context die domineert in beide casestudies. De financiële crisis, hebzucht en bonuscultuur zijn kernbegrippen van deze context. Een korte bespreking van deze kernbegrippen dient ter introductie van de twee casestudies (BPF en Florabank).

Hoofdstuk 4: BPF
Dit hoofdstuk presenteert de bevindingen van de casestudy van Bedrijfstakpensioenfonds (BPF). Hiermee wordt getracht antwoord gegeven op de tweede deelvraag, namelijk hoe gaan actoren in en rondom de boards of governance van BPF en Florabank om met spanningsvelden binnen corporate governance? Deze bevindingen worden in dit hoofdstuk gepresenteerd met behulp van het concept logica's. Grofweg zijn er drie soorten logica's te onderscheiden, namelijk logica van de agent, het instituut en de praktijk. Deze drie verschillende logica's zijn te beschouwen als drie afzonderlijke concepten die aan de hand van citaten uit de interviews of verhalen uit de casestudy worden

ingevuld. In paragraaf 4.1 staat de logica van de hoofdrolspelers ofwel de actoren centraal. Hoewel de actoren in en rondom het bestuur erg divers zijn blijken de actoren van BPF bijna allemaal vertegenwoordigers te zijn van hun achterban of organisatie. Ze denken vanuit hun achterban of organisatie. En door hun economische en juridische opleiding en achtergrond denken ze nutsgericht en rationeel. De resultaten laten zien dat alle respondenten corporate governance zien als wet- en regelgeving. Tevens komt uit de bevindingen naar voren dat de actoren in en rondom het bestuur zich door de financiële crisis druk en onzeker voelen. In paragraaf 4.2 staat de logica van het instituut centraal. Aan de hand van verhalen over de oorspronkelijke waarden, het organisatiemodel, de zeggenschap en de wijze van besturen wordt duidelijk welke geschreven en ongeschreven regels in de organisatie van belang zijn. Achtereenvolgens kunnen de volgende drie vaste vuistregels worden geformuleerd die in de verhalen zijn terug te vinden: Je moet namelijk trouw zijn aan je achterban, het bestuur is degene die uiteindelijk het besluit neemt en je moet de formele rol spelen die van je verwacht wordt dat je speelt. Deze regels kunnen ook wel omschreven worden als de institutionele logica. Paragraaf 4.3 laat zien dat er door middel van verhalen van de praktijk inzichtelijk wordt dat men in de praktijk te maken heeft met verschillende logica die in strijd zijn met elkaar. Het verhaal over de dubbele petten laat bijvoorbeeld zien dat je trouw moet zijn aan je achterban maar aan de andere kant ook moet voldoen aan het volbrengen van de gezamenlijke opdracht (de formele rol). En het spanningsveld van de grijze ruimte bij de wet- en regelgeving en de omgang met DNB laat zien dat er ruimte is binnen de spanningsvelden om te handelen.

Hoofdstuk 5: Florabank

Net als in het vorige hoofdstuk is in dit hoofdstuk antwoord gegeven op de tweede deelvraag en worden de bevindingen van Florabank gepresenteerd met behulp van het concept logica's. Het doel ervan is niet om beide casestudies te vergelijken maar om inzicht te krijgen in de betekenisgeving van corporate governance. De onderwerpen in de paragrafen zijn daarom ook niet allemaal hetzelfde als de onderwerpen in het vorige hoofdstuk. Wel wordt net als in het vorige hoofdstuk de drie

verschillende logica's, te weten actorlogica, institutionele logica en praktische logica gebruikt om de verhalen uit de casestudy in te vullen. In paragraaf 5.1 staat de logica van de actoren centraal. De groep respondenten van Florabank wordt gekenmerkt door een homogene groep die bestaat uit Nederlandse mannen van middelbare leeftijd met een economische of juridische achtergrond. De mannen hebben nevenfuncties in stichtingen en verenigingen op het gebied van duurzaamheid of in het verlengde van het oorspronkelijke gedachtegoed van de Florabank. Deze achtergrond weerspiegelt het rationele en nutsgerichte denken maar ook de betrokkenheid bij de idealen van de bank. Verder laat paragraaf 5.1 zien dat de ontstaansgeschiedenis van de bank tot de dag van vandaag nog een grote rol blijkt te spelen. Met name de betrokkenheid ten aanzien van het duurzame karakter en het oorspronkelijke gedachtegoed van de bank zijn kenmerkend voor de organisatie. Deze affiniteit met duurzaamheid is ook te zien bij de CEO. Naast wereldverbeteraar is de CEO ook een visionair, ondernemer en pionier. Hij is gewend om oplossingsgericht te werk te gaan en uit de verhalen over hoe hij over besturen denkt komt de logica van het denken in termen van controle houden dominant naar voren. In paragraaf 5.2 staat de logica van het instituut centraal. Aan de hand van verhalen over de wet- en regelgeving, cultuur, statuten, zeggenschap en informele structuren wordt duidelijk welke vuistregels in de organisatie van belang zijn. Men volgt de wet- en regelgeving terwijl dit wettelijk niet verplicht is, maar men vindt dat het zo hoort. De statuten zorgen ervoor dat actoren in en rondom het bestuur van Florabank weten welke formele rol ze moeten spelen en wat er van hun verwacht wordt. Naast de formele wereld laat deze studie ook een informele wereld zien. In die informele wereld speelt de CEO een regisserende en controlerende rol. Een andere belangrijke ongeschreven regel is dat je je verbonden moet voelen met de missie van de bank. Paragraaf 5.3 laat zien dat door middel van verhalen inzichtelijk wordt dat men in de praktijk te maken heeft met verschillende logica die in strijd zijn met elkaar. Het verhaal over de kritiek op de wet- en regelgeving laat bijvoorbeeld zien dat de respondenten de uitvoering van de wet- en regelgeving als zeer belastend ervaren. Uit de resultaten van het onderzoek komt naar voren dat de respondenten het grijze gebied in de wet- en regelgeving

opzoeken. Het verhaal over de informaliteit en formaliteit geeft aan dat er ruimte is om te kiezen hoe men handelt maar dat men tegelijkertijd gevangen is in het systeem van formele en informele regels. Het laatste verhaal over het balanceren tussen idealen laat zien dat actoren verschillende ideeën hebben over de uitvoering van hun idealen. Deze verschillende zienswijze zorgt voor spanningsvelden.

Hoofdstuk 6: Een narratieve analyse

Dit hoofdstuk geeft de analyse van deze studie weer. Uitgangspunt voor deze analyse is de narratieve tabel van het theoretische hoofdstuk (tabel 2.4). Door in te zoomen op de tekst en uit te zoomen op de omgeving en door micro- en macroniveaus met elkaar te verbinden (Fairclough, 1992) is voor beide casestudies de narratieve tabel van het theoretisch hoofdstuk ingevuld. De bevindingen uit de casestudies zijn te omschrijven als een narratieve soep (Boje, 2001). Er zijn drie basisverhalen over corporate governance te onderscheiden, namelijk corporate governance is het voldoen aan wet- en regelgeving (paragraaf 6.1.1), corporate governance is het waarde hechten aan geschreven regels (paragraaf 6.1.2) en het evenwicht houden tussen belangen (paragraaf 6.1.3).

Deze studie toont drie verschillende spanningsvelden aan. Ten eerste is er een spanningsveld tussen de *grand narratives* en de *counter narratives* (Paragraaf 6.2.1). Bij het eerste narratief heeft men hoewel men wil voldoen aan de wet- en regelgeving tegelijkertijd ook te maken met praktische redenen waarom dit niet kan en het feit dat men ook een bedrijf of organisatie runt en afgerekend wordt op de financiële resultaten. Het spanningsveld in de tweede narratief over corporate governance zit hem in het spanningsveld tussen de formele en de informele wereld. En bij het derde basisverhaal acteert men tussen ene kant het evenwicht houden tussen de belangen en aan de andere kant het nastreven van het gezamenlijk belang (BPF) of het organisatiebelang (Florabank). Aan de hand van voorbeelden uit de casestudies zijn de spanningsvelden toegelicht.

Ten tweede is er sprake van een verscheidenheid aan spanningen tussen individueel, organisationeel en maatschappelijk niveau van corporate

governance (paragraaf 6.2.2). Een voorbeeld van een spanningsveld tussen het individuele en het organisationele niveau is die van de strijd over de praktische uitvoerbaarheid van de idealen van de bank. Er is een interne discussie binnen de bank over hoe de idealen vormgegeven moeten worden. In paragraaf 5.3.4 is aangegeven hoe dit kan leiden tot spanningsvelden. Tevens laat paragraaf 4.3.5 zien hoe het spanningsveld tussen het organisationele en sociale niveau van corporate governance de handelingen binnen een organisatie beïnvloedt. Door de druk van de media en het maatschappelijke debat over het investeren in clusterbommen herzien zowel BPF als Florabank hun beleid ten aanzien van de beleggingsportefeuilles.

Ten derde laat de analyse zien dat er spanningsvelden plaats vinden binnen en tussen de narratieve concepten. In paragraaf 6.2.1 wordt duidelijk dat bij actoren in en rondom het bestuur van zowel BPF als Florabank het newtoniaans denken dominant is. Ook de persoonlijke eigenschappen blijken bepalend zijn voor het handelen in en rondom het bestuur. Zo hebben de eigenschappen van de CEO gevolgen voor het handelen in en rondom het bestuur. Tevens kan de neoliberale context van deze tijd bepalend zijn voor het worldview van actoren in en rondom het bestuur. Opgemerkt moet worden dat zowel uit de interviews van Florabank als BPF blijkt dat er ontwikkelingen gaande zijn die niet met het newtoniaanse gedachtegoed zijn op te lossen. Bijvoorbeeld hoe men omgaat met de journalisten en vrije denkers die belangrijke opiniepeilers zijn in het maatschappelijke debat. In paragraaf 6.2.2. is naar voren gekomen dat de regulatieve en cultuur-cognitieve ankers dominant zijn. De historische verhalen blijken een grote rol in te spelen. Opvallend is dat de normatieve ankers een ondergeschikte rol spelen. Ook laten de regulatieve, cultureel-cognitieve en normatieve ankers zien dat gewoontes, zeden en belangen als onbedoelde neveneffecten, ongelijke verhoudingen produceren en transformeren. In paragraaf 6.2.3 wordt duidelijk dat er zowel strategisch als communicatief wordt gehandeld bij zowel BPF als Florabank. Uit beide casestudies komt naar voren dat het communicatief handelen bij zowel de bestuurder als de andere actor voor positieve ervaringen zorgt. Tevens komt uit het onderzoek naar voren dat persoonlijkheid en de samenstelling van het bestuur bepalend zijn voor het communicatief of strategisch handelen.

De derde deelvraag luidt: "Welke verklarende factoren binnen en rondom the boards of governance in de financiële sector kunnen de spanningsvelden van corporate governance uitleggen?". Deze deelvraag wordt tevens beantwoord in dit hoofdstuk**.** Uit de analyse komen drie factoren die de spanningsvelden binnen corporate governance kunnen uitleggen: scene, space for improvisation and conflicting plotlines (paragraaf 6.3).

Hoofdstuk 7: Conclusies

De algemene conclusie van deze studie is dat de spanningsvelden van corporate governance gaan over het zoeken naar machtsevenwicht. Dit komt overeen met de bewering van Cools (2005) dat corporate governance gaat over machtsevenwicht. Deze algemene conclusies kan op drie manieren worden uitgelegd. Ten eerste komt uit de analyse naar voren dat de spanningsvelden tussen de grand narratives en de counter narratives altijd gaan over conflicterende belangen en dubbelrollen. Ten tweede gaan de spanningsvelden van corporate governance over het spanningsveld tussen het individuele en het organisationele niveau van corporate governance en het maatschappelijke en organisationele niveau. Hierbij komt uit het onderzoek naar voren dat er een kloof is tussen de alledaagse praktijk, het individu en de maatschappij waarbij een machtsstrijd tussen economische en sociale waarden plaats vindt. En ten derde worden de actoren in en rondom het bestuur van beide casestudies geconfronteerd met een nieuw tijdperk welke zich kenmerkt door machtsverschuivingen, waarbij men worstelt met termen als democratie en institutionalisering.

De theoretische bijdrage van deze studie is gelegen in de narratieve bijdrage. Deze narratieve benadering heeft bijgedragen aan inzichten omtrent het begrip corporate governance en heeft aangetoond dat corporate governance een breed, dynamisch, complex en krachtig concept is. Het narratieve model over being, valuing and acting (figuur 2.3) geeft inzicht in hoe theoretisch gekeken kan worden de praktijk van corporate governance. Tevens biedt dit onderzoek een conceptueel framework waarbij men ook eventueel andere studies kan verrichten. Daarnaast zijn er nog een aantal theoretische inzichten gekomen zoals de

verklarende factoren voor de spanningsvelden van corporate governance. De studie levert een bijdrage aan de praktijk op drie verschillende niveaus, namelijk het individuele niveau, het organisationele niveau en het maatschappelijke niveau. In paragraaf 7.2 zijn deze praktische inzichten weergegeven.

De laatste paragraaf van deze studie sluit af met een aantal reflecties en vooruitzichten op het concept corporate governance. Dit onderzoek laat zien dat het concept corporate governance wordt gezien als een antwoord op de problemen van de financiële sector maar dat het concept corporate governance dwaalt in de boardroom. Het begrip dwalen verwijst naar het vergissen in de weg die men moet inslaan. Het verwijst naar die ene verkeerde daad doen of die ene onjuiste gedachte koesteren terwijl men meent goed te handelen. Corporate governance verschijnt daarmee eerder als een narratieve versterking van de problemen dan als een effectieve oplossing.
Een van de belangrijkste reden dat dit gebeurd is dat alle narratives laten zien dat corporate governance instrumenteel wordt benaderd en dat er nauwelijks vanuit een normatieve benadering naar corporate governance wordt gekeken. Een term die hierbij wordt genoemd is de term *bounded morality* (Beitz, 1979; Torsello, 2015). Een tweede closing thoughts is dat deze studie heeft aangetoond dat wet- en regelgeving alleen deel van de oplossing is maar dat er ruimte is voor de actoren in en rondom the boards of governance. Deze constatering dat wet- en regelgeving niet altijd bij alle organisaties helpt tot fatsoenlijk gedrag leidt bij mij tot de gedachtegang dat ook hier het morele perspectief ontbreekt. Deze constatering is niet nieuw in de sociale wetenschappen. Acker (2006), een wetenschapper in de genderstudies, gaf met de term *inequality regimes* al aan dat vaststaande praktijken en processen leiden tot een aanhoudende ongelijkheid in alle arbeidsorganisaties.

Mijn laatste closing thought gaat over de toekomst van corporate governance. Om hier antwoord op te geven is niet eenvoudig. Hiervoor is gebruik gemaakt van twee verschillende visies. De eerste visie is gebaseerd op de wetenschapsfilosoof Thomas Kuhn. Kuhn (1962) is ervan overtuigd dat verandering optreedt door middel van plotselinge

paradigma verschuivingen. Het bestaande wereldbeeld zal worden vervangen, omdat de bijbehorende generatie zal uitsterven en het nieuwe wereldbeeld zal ontstaan door nieuwe generaties. Tegenover de visie van Kuhn staat een andere visie waarbij de overtuiging is dat de mens zelf kan zorgen voor verandering. Een voorbeeld is het change management model van Lewin (1951) en het 8 stappen model van Kotter (1996). Er zit de visie achter dat de mensen kunnen leren van goede ervaringen en afzien van andere ervaringen ten gunste van betere ervaringen wat leidt dat verandering. De studie maakt duidelijk dat beide bovenstaande visies geloofwaardig zijn en dat in beide verhalen sprake is van een verandering van corporate governance. Opvallend is het dat in beide verhalen geen urgentie is voor verandering wordt gevoeld. Het ontbreken van een moreel perspectief zou hier wellicht ook een rol in kunnen spelen.

Volgens de onderzoeker moet corporate governance vanuit een breder perspectief bekeken worden. Het Newtonian *worldview* zal verschuiven naar een breder perspectief, namelijk het holitische worldview. Men zal vanuit het individu en de omgeving (being) moeten kijken naar corporate governance. Wanneer er zich veranderingen voordoen zoals dat de investering in clusterbommen niet meer maatschappelijk geaccepteerd wordt zal men niet alleen moeten kijken naar clusterbommen maar ook (breder) naar andere zaken die wellicht in de toekomst niet meer geaccepteerd gaan worden zoals het investeren in fossiele energie.
Bij het *institutional framework* zal de nadruk niet zozeer moeten liggen op de regulatieve kenmerken zoals strengere wet-en regelgeving, maar ook dit moet in een breder perspectief geplaatst worden. Actoren in en rondom the boards of governance zullen meer aandacht moeten hebben voor de culturele aspecten. Men zou moeten reflecteren op de huidige spanningsvelden om vervolgens de gevestigde interactie-, gedragspatronen en zeggenschapsstructuren ter discussie te stellen. Opvallend in deze studie is dat veel spanningsvelden rondom corporate governance eigenlijk te maken hebben met het gebrek aan aandacht voor normatieve kenmerken. Binnen organisaties zou men zich meer en vaker essentiële vragen moeten stellen zoals hoe is de functie van de organisatie geïnterpreteerd? Hoe worden de morele en filosofische

richtlijnen voor de uitvoering en het beheer van de organisatie toegepast? Zijn de sociale waarden, zoals vrijheid en eigenwaarde toegepast voor iedereen? Is er overeenstemming tussen de waarden die uitgedragen worden door het bestuur en de sociale waarden van de hele maatschappij?
Ook de *mode of practice* voor actoren in en rondom the boards of governance vraagt om een breder perspectief namelijk reflectie op actie. Tenslotte een overdenking: Wat zou er gebeuren wanneer men niet meer uitgaat dat de executive board verantwoordelijk is voor de resultaten van een organisatie maar wanneer de executive board wordt afgerekend op de het proces waarbij overeenstemming belangrijk is? Deze nieuwe zienswijze zou volgens de onderzoeker kunnen betekenen dat er veel meer vanuit een breder perspectief gekeken wordt waarin het morele denken naast het instrumentele meer aandacht gaat krijgen.

Er zullen in de toekomst altijd spanningen blijven bestaan en ze kunnen zelfs toenemen, maar door corporate governance vanuit een breder perspectief te bezien zullen actoren in en rondom the boards of governance beter uitgerust zijn om te gaan met *tensions in the boardroom.*

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Ellen Steijvers

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Ellen Steijvers



Corporate governance is a term much used in the financial sector, by actors and regulators alike. Public debate places the behavior of corporate executives under scrutiny, and words such as greed and 'bonus culture' shape the impression that many have of the sector's top men and women. But do we know enough of the realities facing those whose workplace is the arena of corporate governance? What does their world look like? This study aims to describe and understand the lifeworld of actors in and around the boards of governance. Tensions in the Boardroom gives examples of work practices in the top tier of the Dutch financial sector. Through a context study and two case studies -of a value-based pension fund and a small sustainable bank- it describes how key players in and around the boards of governance deal with tensions in corporate governance and how these tensions manifest themselves in practice.



Ellen Steijvers (1977, Maarheeze, The Netherlands) received her MA in Social Sciences in 2003 after completing her thesis on the relationship between organizational culture and the binding of high potentials in the Dutch banking sector. After completing her Master's degree, she was involved in establishing and developing the research department at Inholland University of Applied Sciences. At the research department she acquired extensive work experience. She began as project secretary, then became policy officer (research, Master's programs and internationalization), managed the operations office, joined the management team, and became a knowledge broker and grants and projects advisor. She combined these jobs with part-time positions in research on corporate governance and in lecturing on corporate governance and qualitative research methodology. Trained as an organizational anthropologist, she recently founded her own company, Senvy (named after her two daughters Evy en Senna), which assists boards of governance and managers in their approach to cultural change so that more economic and social benefits from the organization can be achieved.