FROM ' IN CONTROL ' TO ' IN ACTION ' EXPLORING BOARD ROLES WITHIN THE 21st CENTURY CORPORATION

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Abstract

The 21st century global systems dynamics calls for a new perspective on corporate governance as the current 'in control' is ineffective, precisely because of the impossibility of control in a complex world of uncertainty. Thus, the new actionable perspective on 21st boards is focused on balancing exploitation and exploration. Exploitation in the boardroom enhances (soft) control in the embedded corporate network, through active cooperation, pro-social behavior, and principles of reciprocity. It simplifies decision-making in a complex world, particularly in the context of many stakeholders. Exploration in the boardroom is aimed at the absorption of the complexity, through shared decision-making authority in networks, the stimulation of search behavior, and allowing for multiple private and social objectives. The board acts as an important facilitator of the learning capabilities of the organization and the reconfiguration of processes and structures.

Keywords: Corporate Governance, Control, Board, New Approach to Corporate Governance

JEL Classification: G32. G34

1. Introduction

The global system dynamics of the 21st century are in marked contrast with the relative stability of the second half of the previous century (Guillen and Ontiveros, 2016). Global warming, global financial and economic crises, global political fragmentation, global migration, and global income inequality have been recognized as tipping points that threaten the sustainability of 21st-century society. Moreover, disruptive technologies, e.g. robotics and biotechnology are fundamentally affecting the nature of production, communication, and interaction in society. The belief that the world is changing fast and that such changes may have important yet uncertain implications is widespread. Embedded in the global dynamics is a changing perspective on the future role of corporations in society. Technological developments allow the unbundling of production processes and structures. Global environmental degradation creates concerns about the purpose of value creation in corporations as being too exclusively focused on economic returns. The global economic crisis raised questions related to the legitimacy and

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trustworthiness of corporations. The decline in trust is further fueled by corporate scandals including banks, automobile companies, the clothing industry, energy, food, pharmaceuticals, etc. In addition, Panama and Paradise papers have revealed corporate activities that are widely perceived as unfair. Finally, the increasing world income and wealth inequality raised questions as to the humanitarian effects of global sourcing, the massive scale of operations, and the distribution of ownership and governance rights within corporations (Davis, 2016). For some these developments imply 'the end of capitalism' as 'firms need a purpose far more inspiring than merely maximising shareholder value' (Raworth, 2017, p.89). In today's world, good corporate governance is related to how particularly shareholder interests are served. In recent decades, multiple best practices have emerged suggesting a preferred composition of boards, audits, and risk and remuneration management systems. Numerous discussions on good corporate governance have followed mainly referring to the effectiveness of such mechanisms. All such discussions have taken the effectiveness of control as the starting point. The mantra of corporate governance has been and still is 'to be in control', as a board, as management, or as an organization. Shareholders as residual risk bearers can control their interests by asking for more information from opportunistic and self-interested managers. However, notwithstanding best practices, current corporate governance as it is based upon distrust, has not been effective in (re)establishing trust in the corporate sector (Bovie, 2016).

In this paper, it is argued that the global systems dynamics call for a new perspective on the governance of corporations. The contribution to the extant literature is to explore such a new 21st-century perspective on corporate governance. The need for a new perspective emerges as the current approach to corporate governance is ineffective precisely because of the impossibility of control in the current complex world in which corporations operate. Today's corporate governance is predominantly focused on the efficient exploitation of resources while neglecting relevant parameters of decision-making context in a complex world. This approach may be effective in a stable environment, but generates rigidities and fragilities in the complex dynamics of the 21st century where one cannot know enough and where nevertheless decisions have to be taken and effective value-creating strategies implemented (e.g. Huse, 2009). It will be advocated that a reorientation of corporate governance and in particular the board of directors of the 21st century corporation is needed, which takes the current complexity of the business environment seriously. It will be argued that boards in the 21st century need to balance exploitation and exploration in corporate governance rather than exclusively focusing on the relationship between shareholders and managers. The current primacy of transparency, disclosure, and accountability in corporate governance has only limited relevance in a fundamentally uncertain environment. In addition, it is claimed that the relevance of (delegated) control is overstated and may be organized more efficiently in a digital society. A more effective 21st-century corporate governance needs a balance between exploitation and exploration. In particular to role of the board is to incorporate this ambidexterity, by creating network connections with stakeholders, facilitating experimentation, and shaping the agenda for the future of the corporation in combination with attention to control.

2. The complex and uncertain world of the 21st century

Before proceeding to the analysis of current-day corporate governance, it is relevant to analyze the main characteristics of the 21st-century business environment. This business environment is frequently denoted as complex and uncertain, however, what does this mean? Complex and uncertain worlds have a number of relevant fundamentals that require discussion.

Complexity

Complexity in the world of corporations relates to the large collection of heterogeneous, interacting internal and external actors that all adapt to their environment. It is characteristic that it is impossible at any moment to give a complete description of the situation. Both corporations themselves and the world represent complex social systems. The question is how in such complex social systems decisions are made and actions taken. To characterize decision-making and activity, a few behavioral starting points can be distinguished (Arthur, 2015; Hayek 1949; Von Mises. 2012; Hoogduin, 1991). Firstly, mankind is constantly improving its position, thereby acting on the basis of intentions and using scarce resources, this is the principle of the Homo Agens. Agents' valuations of the situation are subjective and qualitative and cannot be easily compared. Secondly, people act subjectively and rationally and make mistakes. Mistakes arise through uncertainty and multiple cognitive biases. Moreover, people differ in their preferences and interests, resources, and abilities. These differences translate into transactions, cultures, civilizations, and societies that are as such once again diverse and complex. Thirdly, people learn, renew and organize. Societies may seem chaotic, but at the same time, there is a structure that adapts to new developments. Order is the outcome of purposeful (inter)action, but not purposefully designed, patterns emerge as a result of (inter)actions that cannot be directly traced back to individual actions. Such patterns can be erratic and there can be tipping points and sudden transitions to other regimes and orders.

Uncertainty

The complex world is uncertain. It is relevant to emphasize the difference between an uncertain and a risky world (Hoogduin, 1991). In the event of risk, all possible outcomes of an action are known. The only thing that is not known is which outcome will prevail. In this context, the risk can be calculated as the probability that a certain outcome occurs from the frequency of past outcomes. Consequently, it becomes possible to insure or hedge against unacceptable outcomes. By contrast, in an uncertain world, not all possible outcomes are known. Logically there is no scope for probability analysis. Mostly, the future is uncertain and not risky. Indeed, it is not known now what will be discovered and or learned in the future. New possible outcomes will emerge, and others will become impossible. What will be learned or discovered in the future will affect the future consequences of the current decisions. Inevitably, the consequences of the current decisions are partly unknown. And still, decisions need to be made, investments done and strategies developed. People and corporations deal with an uncertain future ahead of them and they are aware of that or can be aware of that.

The homo agens

How does the acting agent (person, business, government, etc.) operate in a complex environment? Firstly, the acting agent acts upon an image of the current situation, which is based on past and current experiences. The acting agent has evolving values, can imagine alternative situations, and to compare them with the current one. This creates an intention to improve. Behavior is purposeful, building upon imagination and forward-looking. Improvement requires the use of scarce resources. The use of scarce resources is done based on the above value system in combination with subjective beliefs about what the consequences are of a particular activity. At the same time, there is a constant awareness that these views are not certain. Nevertheless, actions cannot be postponed forever and hence, uncertainty cannot be eliminated. The need to act effectively when not in control requires alertness, resilience, creativity, and adaptability. Alertness uses resources and abilities to be aware of possible surprises as soon as possible. Resilience requires resources and abilities to survive setbacks (negative surprises), creativity to see opportunities (positive surprises), and to convert them into actions. Actions generate irreversibility, i.e. the creation of a new reality. Finally, adaptability, using heuristics, agents strengthen what works and stop what does not work. Adjustments are continuous in response to a changing reality created by the agent itself and others.

3. The nature of the firm of the 21st century.

The firm can be regarded as a nexus of firm-specific knowledge investments of multiple stakeholders. Corporations exist because they produce synergies or quasi-rents that cannot be realized in the market. Quasi-rents are the jointly created outcome of specialized assets of stakeholders who make firm-specific investments (Rajan and Zingales, 1998). Firm-specific investments cause sunk costs once contracts have been concluded. As these firm-specific investments have a much lower value outside the firm the *ex-post* bargaining position of stakeholders is weakened when the quasi-rents are divided. Corporations constitute the multilateral agreements and institutional arrangements for governing relationships between sets of stakeholders that contribute firm-specific assets to the firm value creation.

In the 21st century, the complexity of corporate value creation is increasing tremendously. Analysing the global system dynamic, Mayer, Wright, and Phan (2017) identify three generic challenges for the corporation. Firstly, due to technological advancement, the corporation is shifting from being based on tangible assets to being based on intangible assets. The knowledge-based perspective of the firm is changing the nature of the firm (Mayer, 2016). Increasingly, value is created jointly by combining the efforts of a large diversity of stakeholders, including society at large. The emphasis on intangible assets and mutual firm-specific investments requires more reliance on trust- based relationships rather than formal contracts. Secondly and in tandem with the production structure, the accountability structure is becoming more and more complicated. The corporation increasingly has to act to meet social pressures. The increased social pressure and environmental concerns result in a fundamental reconsideration of the purpose of the corporation beyond the pursuit of shareholder value, as corporations are held accountable against a large diversity of private interests across the globe, their contribution to addressing social needs and their contribution to the provision of public goods and services in different segments of the world.

Consequently, there are many multiple accountabilities at stake, as well as an ongoing balancing of a manifold of different interests. Thirdly and related, the corporation is increasingly engaged in and committed to addressing environmental and socio-economic problems, which has important implications for the boundaries of the corporation.

In conclusion, the nature and boundaries of corporations fade, and the complexity of stakeholder relationships increases in number and intensity through ongoing fragmentation of the value chain and unbundling of corporate activities. The firm value itself is emerging as a multi-faceted concept that requires the active involvement of multiple external stakeholders. Strategic corporate decisions increase in complexity as they involve interdependent relationships, uncertain outcomes, and conflicting views held by the various stakeholders. As a social adaptive system, corporations need to effectively create and manage these relationships, and set norms, rules, and routines to enable effective collaboration, exchange information, enhance predictability, and establish legitimacy. Within these emerging regimes of interaction and self-organization, core corporate activities thrive on the efficient exploitation of scarce resources and ongoing firm-specific investments of a large diversity of stakeholders. The governance of such regimes is increasingly challenging and can no longer be exclusively restricted to the relationship between the executive agents and the shareholders as the only and principal residual risk bearer of the corporation, as the corporation not only needs to handle the content but also the emerging context of multiple stakeholder relationships (connections). To effectively influence both this context and content can be denoted as the problem of corporate governance in the 21st century.

4. Corporate governance in the 21st century

The corporate governance problem in the 21st century

Following Daily, Dalton & Canella, corporate governance can be defined as "the determination of the broad uses to which organizational resources will be deployed and the resolution of conflicts among the myriad participants in organizations" (2003, p.371). For the 20th century, the dominantprincipal–agent paradigm has been the benchmark for corporate governance theory and practice after the demise managerial hegemony model of the 1970s (Jensen and Meckling, 1976). The principal-agent perspective on internal control focuses on three main actors: the shareholders, the board, and top management. The role of the board or non-executive directors is to safeguard the interests of the shareholders, against opportunistic self-serving managers. The independence of the board or non-executive directors with respect to management is highlighted as an important precondition for effective corporate governance. The emphasis on independence is motivated by the necessity of control in securing the highest possible return to the shareholders (Shleifer and Vishny, 1997). Consequently, the independence of directors has been established as the hallmark of corporate governance practice, in codes and regulations across the globe and has increased the formal (de jure) independence of directors in many countries. However, despite the strong theoretical claim, in the empirical literature on boards, clear evidence of a robust association between the presence of independent directors, on the one hand, and corporate performance, on the other, has not been established (see e.g. Adams, Hermalin and Weisbach, 2010 for an overview).

Compared to the one-dimensional perspective of today, effective corporate governance in the 21st century will require a much more elaborate institutional framework than the current narrowly defined principal-agent context. As illustrated in the previous section, in the 21st century governance problems abound due to the complexity and technically advanced nature of the value creation process, the larger set of stakeholders involved,, and the increased attention and active involvement of society at large in the nature and effects of value creating interactions among the stakeholders within the organization. Interests diverge, residual risks are carried more widely, legitimacy is under constant scrutiny, the future is fundamentally uncertain, and interdependent emergent relationships and coalitions between stakeholders are subject to tipping points and positive and negative feedback processes. Small surprises may cause major irreversible changes to stakeholder configurations and relationships. While the corporate governance problem in the 20th century has been restricted to the efficient control of the bilateral relationship between shareholders and top executives, the objective of corporate governance in the 21st-century corporation is to take account of and connect the interests of a much larger network of diverse stakeholders in a way that fosters the value creation of the organization and assures the continuity and legitimacy of the corporation amid fundamental uncertainty. This implies that the objectives, operation, and organization of corporate governance have to be reconsidered fundamentally.

The objectives of corporate governance in the 21st century

In the context of the principal-agent relationship, transparency and accountability have been presented as the most important virtues of corporate governance. The objective of corporate governance is to increase the transparency of decisions for the shareholders and thereby enhance the quality and integrity of corporate decision-making.

Transparency focuses on the availability and disclosure of information, and accountability on the responsibility by the management or the board of the decisions taken. The rationale of transparency and accountability lies in the unequal distribution of information between directors and shareholders and the inability of the (small) shareholders to organize effective accountability by management (the well-known collective action problem). In this approach, the delegated monitoring of the board of directors addresses the collective action problem and provides an efficient solution to serve shareholder interests.

Undeniably, transparency and accountability can be denoted as relevant principles of good governance. That said, the relevance of the principles in the 21st century is subject to qualifications. First of all, both principles are founded on a model of control and a model of mankind that is exclusively built on self-serving behavior and distrust.

Secondly, with regard to the information collection, modern developments in the field of information technology have extended for shareholders the possibility to adequately inform themselves (Bankowits et. al, 2016). In the currently emerging digital society, progressive digitization allows for the large-scale collection, exchange, and analysis of information, as well as the comparison of data at relatively low costs. This is in contrast to the past where the main source of 'reliable' information was the corporation itself, and consequently an important role of the board as "information collector " needed to be distinguished. The 21st-century digital society offers many more opportunities to gather, compare, and analyze information. Thus, the advanced public availability of information makes the traditional (indirect) supervisory role of the board less important. Thirdly and more fundamentally, despite large availability and better access to information, the existence of emergent patterns implies that it is logically impossible to be fully informed about the future implications of actions. Emergence by its very nature implies a more nuanced perspective on the virtues of transparency, in the sense that it is not possible by a greater accessibility or a more equal distribution of the available information, to eliminate the fundamental incompleteness of the information on the path of development. Fourthly and this regards accountability, given the impossibility of complete information, a distinction needs to be made between detecting errors and responding to surprises, on the one hand, and negligence and fraud, on the other. In the former situation, accountability may give rise to learning and adapting to the existence of incomplete information and knowledge. In the latter, accountability may give the opportunity to manage negligence. In the face of fundamental uncertainty and complexity, it becomes more challenging to distinguish between the two situations, whereas the emphasis on the outcome perspective of accountability may go at the detriment of the learning perspective.

To conclude, taking emergence seriously may result in a more nuanced perspective on the virtues of transparency and accountability. While not denying the relevance of the virtues, it can be argued that the emphasis in the current corporate governance theories and practices may be reminiscent of a past reality. Regarding transparency, the focus on the availability of information as such can be better replaced by a focus on the strategic intent of the corporation (the content or agenda of the board), how strategic attention is focused (the process of attention) and how the strategic attention of the corporation can be adapted to the changing circumstances. Similarly, relevant accountability is meant to account for in particular, the process of strategic activities to foster resilience and organizational viability, i.e. the ongoing process of planning, implementing, evaluating and adjusting, and less on the accountability for an (uncertain) outcome at a particular moment of time or state.

5. The role configuration of the 21st-century board

Despite the dominant principal-agent paradigm the extant literature on corporate governance has already incorporated for a long time extensive attention for other archetypical board roles. Following Mace’s (1971) seminal publication on the roles and actual practices of the corporate board, an extant literature in organization theory has addressed a wide range of board tasks has the focus corporate governance Next to monitoring, Johnson et al. (1996), distinguishes the roles of advice and strategic participation to support management and engage the board in the strategy process (see also, e.g. Zahra and Pearce, 1998; McNulty and Pettigrew, 1999; Ravasi and Zattoni, 2006). Similarly, resource dependency theory explains how organizations seek to connect to their environment to secure a stable flow of resources. From the resource dependency perspective, boards help achieving organizational objectives by reducing uncertainty, acquiring resources, or diffusing information by create connections between the organization and its environment (e.g. Pfeffer and Salancik, 1978). Broadly speaking, these roles define the board from the perspective of a strategic decision-making group and claim more strategic involvement by the board (Pugliese et al, 2009). This call illustrates that given the increased strategic interest for the organization of the 21st century to make sense of a complex reality and to be able to anticipate potential changes and surprises (alert), it can be expected that the relevance of strategic roles of the board will increase. Firstly, the board can have an important role to play in the critical questioning of the top management concerning implicit underlying assumptions of the strategic intentions and activities of the corporation. Secondly, the board can be proactive in exploring opportunities and threats next to the ratification of decisions strategic decisions. Such advisory roles require a more active involvement and engagement of the members of the board in strategic decision-making. At the same it will be less relevant and effective to function at distance of the top management, for instance to maintain independence. Equally important in the complex and uncertain world is that the involvement of the board shifts from decision-making to action. In a complex reality, action cannot be postponed until sufficient information is collected. As uncertainty cannot be eliminated, the board’s activity is required without full a priori strategic control. Such a new actionable perspective on board roles implies that effective boards will be engaged actively in a more extended menu of strategic activities that is to say the complete process of planning, executing, evaluating and adapting activities and positions that is challenging management by shaping strategic content in mutual interaction with top management (see also, Pettigrew and Mc Nulty, 1999). Second and in line with e.g. McNulty, Zattoni, & Douglas, 2014 and Pugliese, Minichilli, and Zattoni, 2014, effective 21st-century boards will be held accountable to a larger and more diverse range of stakeholders. The 21st-century corporation reflects a nexus of coalitions of investing stakeholders without a priori assumptions of organizational goals and objectives. This perspective will emphasize the board’s role in setting goals and objectives as influenced by power plays and politics in and between coalitions of relevant stakeholders, including society at large. Focusing on further sharpening the content and context of the 21st-century corporation in an embedded stakeholder perspective, it can be concluded that the economic principal-agent paradigm is not helpful. By contrast, relational models theory can be taken as a relevant alternative paradigm to analyse the individual stakeholder contributions to joint value creation (e.g. Bridoux and Stoelhorst, 2014). In relational models theory, the crucial assumption that human behaviour is purely driven by self-interest is relaxed (Fiske, 1991). Thus, an alternative micro foundation of stakeholder behavior in organisations can be developed. Firstly, elaborating upon the two opposite extreme archetypical drivers of human behaviour, i.e. self-interested and pro-social behavior, relational models theory distinguishes four archetypical stakeholder types (dispositions). These dispositions are the self-interested or self-regarded stakeholder and the competitor or competitive stakeholder in the domain of self-interest and the reciprocal and the altruistic stakeholder in the domain of pro-social. Secondly, it is argued that alternative configurations of stakeholder types foster joint value creation in corporations differently, depending on the governance of the transactions and relationships between them. Four alternative governance modes are distinguished, i.e. arms-length (market type), equality, authority, and communal governance. Thirdly, it is argued that these relational governance modes affect the behavior of the stakeholders through two mediating effects. The first is the effect of the mode on the stakeholder motivation to contribute to joint value creation and the second is characterized as a sorting effect to the extent that alternative stakeholder types will be drawn towards matching relational modes and will exit non-matching modes. Finally, matching and motivational effects will foster the joint creation of value or the (sustainable) performance of the organization.

Thus, in the frame of relational models theory, the role of the board in the 21st-century corporation characterized by the joint value creation of a large diverse set of embedded stakeholders is to develop relational governance modes that match and connect the dispositions of the existing or developing stakeholder configuration in a way that's foster effective and sustainable joint value creation. To be more precise, in such a multiple stakeholders (team) production perspective the fundamental role of the board of directors is to act as an impartial mediator between the firm's value-adding stakeholders to access relevant competence and strategic knowledge (Huse and Gabrielsson, 2013). Corporate boards of directors add value to corporations characterized by high task and outcome interdependence, where the team production problem is that the value created can be suboptimal. Whilst the core of this argument is originally developed in relation to the societal (collective) provision of public goods through the market (Alchian and Demsetz, 1976; Blair and Stout, 1999), increasingly the 21st-century corporation is developing public good provision characteristics. This in consequence to the purpose of the corporation to incorporate a larger diversity of private interests across the globe, their contribution to address social needs and their direct contribution to the provision of public goods and services in different segments of the world. This reconfiguration makes team production a highly relevant perspective for boards of private firms where stakeholders contributing to the firm's value creation face similar high task and outcome interdependence. In such complex organizational settings, the role of the board is vital both for setting (i.e. strategizing) and ensuring (i.e. monitoring) the strategic agenda of the corporation. The embeddedness view (Polanyi 1944, 1992) emphasizes the benefits of ongoing high- quality relationships and connections, rather than distant goal alignment in this respect. The embeddedness approach claims priority for the governance of interaction processes to foster the effective exchange and use of information and find joint direction and purpose among stakeholders.

6. The makeup of the 21st-century board

Over the last decades, it can be concluded that the boards makeup has been remarkably stable. Despite years of vigorous of debate on board diversity both in practice and in theory, the institutional reality is that boards across the globe predominantly consist of a relatively small and fairly stable number of individuals, mostly middle-aged males with a proven track record in relevant areas of (financial) expertise. Given this apparent stability, the question can therefore be asked how the archetypical makeup of the board matches the reconfiguration of corporate structures and processes in the complex environment of the 21st century. After all, (board) structure follows (board) activity. The more corporations need to anticipate the complex and dynamic reality through a constant reconfiguration of structures, connections and processes, the more the role of the board in shaping the content and context of this entire process entails. On the one hand, in a world of complexity and uncertainty, it is important to maintain and safeguard alertness, creativity, adaptability, and resilience in the corporation, such that the fitness of the corporation in the long run is fulfilled. On the other hand, emergent patterns in the wider networks of the corporation, require the ability to reconfigure connections, adapt to multiple stakeholder connections, and make new connections. It is an intriguing question of how to these new challenges might have implications for the makeup of the boards. For instance, it can be speculated to the emphasis on dynamic capabilities (Teece, 1997) might also imply a more ongoing reconfiguration of the board itself, "the Apex of the organization". First of all, a larger diversity of board members may help anticipate the complex reality. Secondly, it may be proposed that from the point of view of the legitimation of strategic activities, a more active involvement of external stakeholders in decision-making and action is important and helps respond to the social demands on the corporation. Both tasks include an active dialogue with stakeholders, where boards proactively access the networks of stakeholders and inquire about the important dilemmas and actions expected from the corporation. Such a more decentralized form of consultation makes the network role of the board much more pro-active. It requires more flexible and intensive connections with the wider network and enlarges the possible involvement and expertise of various stakeholders in boardroom decisions. Leaving aside for the moment to what extent this involvement should lead to actual participation in the board, an extensive network role may be better aligned with the complex reality and uncertainty of the 21st-century business environment than the current more hierarchical model of the board. To enable better access to and dialogue with stakeholders, the board could be structured as a core decision-making group with a formal fiduciary task, together with a flexible network of non-core members, also with some decision rights to provide more scope for an active exploration of opportunities and threats in the complex reality. As practical design is concerned, at first instance a considerable enlargement of the scope and number of core board committees can be developed, whereas in later stages the establishment of a plurality of parity boards with separated responsibilities and tasks could be considered. To illustrate the issue at hand, Pirson and Turnbull point in this regard to the participatory governance structure of the Mondragon Cooperative Entreprises as a best practice of wider stakeholder involvement (Pirson and Turnbull, 2012). Also a more radical expansion of the already existing practices of the so-called stakeholder councils can be considered. Finally, regarding the preferred expertise in the board, i.e. the composition of the board, the currently dominant convention is the relevance of financial expertise (see. e.g. Veltrop, 2016). However, while not denying the relevance of financial expertise in the boardroom a search for capabilities that help foster networks, promote trust and reciprocity and the exchange of information may become equally relevant in terms of expertise in the boardroom. That is to say, a larger focus on the capabilities that foster collaboration and collaborative processes, rather than corporate outcomes, may become strategically important as a defining characteristic of effective board governance in a complex and uncertain world. In this respect, the literature on gender diversity of boards provides interesting evidence. While this literature as such has produced mixed results, there is evidence that e.g. decisions made by women may entail a broader consideration of multiple stakeholder interests and that women spend more time considering decisions and may be better in foreseeing negative surprises (Hillman, 2014). In addition, evidence illustrates that women make positive contributions to the board decision-making process (e.g. Huse, 2008). Consequently, the proposition can be put to test to what extent the 21st-century corporation would benefit from more diversity within the board and in particular a more gender-balanced board makeup to meet the challenges of the 21st value creation processes

7. From in control to in action in the boardroom

Stakeholders interact to form complex social systems within, outside and sometimes both within and outside the corporation. These interactions are only limitedly predictable, as to self-organize into emergent patterns and coalitions at a level of the (embedded) network. Routines and practices need to develop through which the possibility and impact of disruptions is both embedded and bounded. How to shape (the context of) these routines and practices is the issue of shaping the content and context of effective governance. Within the corporation, boards can increase their effectiveness by thinking consciously within the framework of complexity and uncertainty to help determine the fitness and adaptability of the corporation. To provide the outlines of such a framework it can be referred March seminal paper, which represents the extent to which corporations can adapt as a trade-off between two underlying sets of activities, namely exploitation and exploration (March,1991). Exploitation concerns activities such as choice, refinement, efficient selection, implementation, and efficient implementation. An effective board can make the most of these benefits of organization and coordination. To this end, problems of collective action and team production (e.g. free rider, agency problems) should be addressed in the embedded network of the corporate stakeholders. As mentioned in the 21st century corporation, the nature of the value creation requires a larger reliance on to trust and or principles of reciprocity in governance, as opposed to hierarchy, performance incentives and control to align interest and foster collaboration between actors. Exploration, on the other hand, includes activities like collecting, accumulating and analyzing information (including weak signals), learning about environmental processes, experimenting and innovation and testing new controls and reconfiguring mechanisms, structures and practices. Exploration concerns the ability of effective 21st boards to reap the benefits of such activities in corporate governance. Explorative processes are pre-eminently intended to increase the effectiveness of actions in situations of uncertainty and change. Explorative processes use resources and require the presence of slack or buffers (as part of resilience) in order to facilitate learning and to absorb the consequences of surprises. In an uncertain and dynamic 21st century environment it is key to collect, explore, anticipate, integrate and aggregate knowledge in conjunction with the actual attention the continuity of the corporation and the maintenance of the stakeholder network. Consequent, both how the network configuration and the knowledge function in the organization are embedded and structured is essential for fitness of the corporation and should have a high priority on the boardroom agenda. The agenda should be focused on the future rather than on post hoc control and aimed at the identification/anticipation of future developments, patterns, opportunities and threats. The more the corporation would aim to learn, for example by actively searching for errors, mainly to learn and less to establish negligence, the better. The processes of knowledge accumulation, sharing and internalizing to develop dynamic capabilities in the complex world determine the continuity, survival and sustainability of the corporation. Where in today's corporate governance, in the 20^{th} corporate governance the distribution of value (value capture) has received abundant attention, in the complex world of the 21^{st} the creation of long-term sustainable value will need to have priority in the board (see also Huse, 2009). In this search process, in addition to the codification and interpretation of knowledge and the development of dynamic skills, there should be room for learning through creativity and experimentation, not to mention testing existing systems and processes to investigate the resilience of the organization and imperfections. Detecting failures is an important aspect of the functioning of internal risk management and control systems. Because of the strategic importance, it can be expected from the board a proactive and stimulating role in the enlargement of the learning capacity of the corporation and the shaping and reconfiguration of processes and structures.

Thus, the new actionable perspective on 21^{st} boards is focused on balancing exploitation and exploration. Exploitation in corporate governance increases efficiency, reduces transactions and agency costs, solves problems of collective action, free rider behavior, etc. But more importantly in the embedded network approach, exploitation facilitates cooperation, pro-social behaviour and principles of reciprocity. This simplifies decision-making in a complex world, particularly in the context of many stakeholders. Exploitation thus creates complexity reduction and is created through the transparency of decision-making and strategic purpose and involvement of stakeholders. In the context of exploitation, the role of the Board is focused on the pro-active governance of the process of collaboration between stakeholders. Exploration, on the other hand, is aimed at absorption of the complexity of the environment, for example through sharing decision-making authority in networks, the stimulation of search behavior and interdependencies and multiple private and social objectives. In addition, the legitimation of the strategic actions of the corporation in the perception of several internal and external stakeholders, in addition to shareholders, also plays an important role. Exploration in corporate governance involves information collection and sharing (alertness), experimenting and shared learning (creativity), facilitating risk-taking (do), developing resilience and increasing adaptability. The board is an important facilitator and stimulator of increasing the learning capabilities of the organization and the reconfiguration of collaborative processes and structures.

8. Conclusion

According to the currently dominant paradigm, a well-functioning corporate governance regime has a positive impact on the corporation's results in two ways: it lowers the contract - and the agency's costs, which implies that firm-specific investments may be better utilized. In this paper, it has been argued that this idea fits within a limited linear perspective on a complex world. To put it differently, these conclusions fit within, at some point relevant, but certainly not universally relevant order of (economic) (inter) actions of people, corporations and governments. The illusion of being 'in control' is limited to the boundaries of the control framework (governance bundle) that is created. Often, this illusion is enlarged by self-reinforcing dynamics (habits of control), wherein the efficiency of the current regime is increased, however, at the neglect of the increased fragility of the system itself. Emergent patterns can suddenly change the regime characteristics and permanently disrupt the apparent robustness or fitness of the system. Resilient corporations are alert to such changes and can adapt, precisely because of the resilience and creativity of the organization. By doing so, the continuity and fitness of the corporations can be assured. It is the role of the board to develop the conditions for such sustainable value creation. This role implies a shift from 'in control' to 'in action', or alternatively, from static to dynamic value creation, in which continually plans, actions, evaluations and adjustments are part of an ongoing interactive process within the board but also in ongoing interaction with the corporations' stakeholders. For this purpose, the board is fitted if there is a balance between exploitation and exploration, when striving for efficiency is done in conjunction with strengthening resilience, analyzing errors, organizing a continuous search for possible changes, opportunities and threats and being alert on so-called "weak signals' in the stakeholder network from all of the elements of the system and in consultation with all stakeholders. Effective governance in a complex world requires connections between stakeholders, emphasizing sustainable value growth and the continuity of the corporation. It results in a fundamentally decentralized network perspective on the tasks (roles) of the board and the organization of more participatory decision-making modes, sometimes temporary, and a more diverse, sometimes temporary, involvement of alternative groups of stakeholders.

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