The determinants of trust in the boardroom

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INTRODUCTION

Studies on the relationship between board compositional characteristics and performance have remained elusive after decades of research (Dalton et al., 1998; Forbes and Milliken, 1999). Scholars have argued that such research is akin to treating the board as a ‘black box’ without investigating what actually happens inside the boardroom (Huse, 1998, 2007; Pettigrew, 1992; Pettigrew and McNulty, 1995). More recent research has therefore moved towards behavioural perspectives on boards (Forbes and Milliken, 1999; Hambrick et al., 2008; Huse, 2007; Huse et al., 2011). These behavioural studies draw on a wider range of theoretical concepts in order to capture and examine the socio-psychological processes that occur in the boardroom (Westphal and Zajac, 2013). Moreover, the behavioural research stream has eschewed traditional archival data-based methods that have dominated the conventional research on corporate boards and instead given preference to data and methods that have allowed researchers to get closer to actual behaviours and interactions in the boardroom (Bailey and Peck, 2011; Huse and Zattoni, 2008; Machold and Farquhar, 2013; Minichilli et al., 2009, 2012; Pye, 2001; Pugliese et al., 2015; Zona and Zattoni, 2007).

The behavioural research on boards has followed the work of Forbes and Milliken (1999) and Huse (2005) and drawn extensively on the input–process–output (IPO) models developed by small team researchers (Ilgen et al., 2005). These researchers have found board processes to be better predictors of board performance than the ‘usual suspects’ of board characteristics (Finkelstein and Mooney, 2003; Machold et al., 2011; Minichilli et al., 2012; Zona and Zattoni, 2007; Zattoni et al., 2015). Examples of such processes include cognitive conflict (Zona and Zattoni, 2007; Minichilli et al., 2009, 2012), use of knowledge and skills (Bankewitz, 2016; Khanna et al., 2014; Kor and Sundaramurthy, 2009; Minichilli et al., 2012), and effort norms (Gabrielsson et al., 2007; Zona and Zattoni, 2007).

This emerging research has furthered the understanding of what goes on in the boardroom, but a number of gaps remain. First, many studies built on Forbes and Milliken’s model that laid stronger emphasis on cognitive processes, whereas the affective dimension of board interactions remain under-researched (Bankewitz, 2016; Brundin and Nordqvist, 2008). Second, using an IPO model, board behaviour researchers assume that board processes work side by side, whereas the complex nature of these processes may, in fact, mean that they are inter-related (Colquitt et al., 2007; Jehn and Mannix, 2001; Jehn et al., 2008; Mayer and Davies, 1999; Parayitam and Dooley, 2007, 2009). For this reason, there has been a call for further research into the inter-relationship and predictors of board processes.
that goes beyond considering their mediating role between board structure/ characteristics and performance outcomes (e.g. Farquhar, 2011; Huse, 2005; Minichilli et al., 2009; Pye and Pettigrew, 2005; Roberts et al., 2005).

In this vein, and in the face of the growing research on board processes, some socio-psychological processes have been under-researched or are yet to be investigated especially in the context of UK boards (Farquhar, 2011). Moreover, studies that have examined the determinants of board processes are rare. It is beyond the scope of this study to examine the determinants of every board process with their potential inter-relationships in relation to their cognitive and affective dimensions. Therefore, the research will focus on one example of an under-researched socio-psychological board process, ‘trust’, in an attempt to answer the question ‘What are the factors that trigger or suppress trust in the boardroom?’

Trust has been under-researched despite having a relevance that cannot be emphasised enough when considering its implications for social and professional relationships (Brundin and Nordqvist, 2008), board effectiveness and creation of firm value (Kramer and Tyler, 1995), and healthy inter-relational dynamics in the boardroom (Migliore and DeClouette, 2011). According to Larcker et al. (2017), there have been continued concerns raised by directors regarding boardroom dynamics and that the levels of trust are not sufficiently high for boards to perform effectively due to sub-optimisations happening in the boardroom. A better understanding of what triggers or suppresses relational norms such as trust is, therefore, important in improving board effectiveness.

Many of the recent reforms in corporate governance as reflected in corporate governance codes have focused on strengthening the control role of boards. A recent survey by McKinsey distinguished between three types of boards – ineffective, complacent and striving boards. Within the highest performing boards, striving boards, directors also reported a culture of trust and respect (Kehoe et al., 2016). Greater understanding of what triggers such a boardroom culture and atmosphere is, therefore, crucial in developing boards’ strategic task performance.

Why Study Trust?

An investigation of the determinants of trust opens possibilities to also develop guidelines for practitioners to improve boardroom culture and effectiveness. Despite scholars having highlighted the importance of trust to board functioning, there are only a few empirical studies of the phenomenon in the boardroom (van Ees et al., 2008, 2009; Huse and Zattoni, 2008; Farquhar, 2011). Extant literature on trust is largely on interpersonal relationships within teams (see Colquitt et al., 2007; Cook and Wall, 1980; Mayer et al., 1995; McAllister, 1995). This study examines trust as a team-level construct.
having both cognitive and affective dimensions in the context of corporate boards by distinguishing its cognitive and affective determinants (Huse and Zattoni, 2008; Gillespie and Mann, 2004). To date, the majority of board behavioural studies have tended to emphasise cognitive processes rather than affective ones (Bankewitz, 2016; Brundin and Nordqvist, 2008; Walker et al., 2015), yet team interactions are complex and multifaceted (Huse, 2007). Thus, the exploration of a concept that combines both rational and emotive dimensions has the potential to bring us closer to understanding actual board behaviours and inter-relational dynamics between board members (Migliore and DeClouette, 2011). As the small team literature indicates, far from being atomised, processes are related and may serve as triggers for each other (Jehn and Mannix, 2001; Parayitam and Dooley, 2007, 2009). Therefore, in this research, the determinants of trust in the boardroom will be examined.

THEORETICAL BACKGROUND

The concept of trust was originally developed by sociologists (cf. Blau, 1964) and later applied as a construct within the organisational behaviour and small team literature (De Jong and Elfring, 2010; Kee and Knox, 1970; Mayer et al., 1995; Möllering et al., 2004). This has led to a great proliferation of studies that have extended and refined the concept, hence the variety of definition of the concept of trust that is reflected in many roles, functions and levels of analysis (Costa, 2003).

In previous studies, trust has been defined as a multidimensional construct (Costa, 2003; Gillespie and Mann, 2004) and separated into cognitive-based trust and affective- or emotion-based dimensions (Costa, 2003; Mayer et al., 1995; McAllister, 1995). Cognitive trust is rational, and it is based on the beliefs of trustworthiness while affective trust refers to the role of emotions in the process of trust. Trust has also been considered at both an individual level and a team level. The individual level of trust refers to interpersonal trust while the team-level concept of trust refers to intra-team trust (De Jong and Elfring, 2010; Simons and Peterson, 2000). In this study, the cognitive and affective dimensions of the dependent variable ‘trust’ will be treated as a team-level construct in order to investigate and understand its determinants. Team-level or intra-team trust implies a collective or generalised form of trust that team members have for their fellow team-mates (Simons and Peterson, 2000). Whereas perception of trust refers to individual-level trust, intra-team trust is a generalised or aggregate perception of trust or a shared quality of individual-level perceptions (De Jong and Elfring, 2010).

Definition of Board Trust

Considering how trust is conceptualised as a team-level construct, to examine trust in the boardroom, this research defines trust as the willingness to be vulnerable to another board member, and this feeling
is shared across the board as members use evidence of trustworthiness as a valid reason to trust (i.e. the determinants of trust) (Colquitt et al., 2007; De Jong and Elfring, 2010; Gabarro, 1978; Mayer et al., 1995).

The Determinants of Board Trust

Trust is frequently treated as a process and a contributing factor to team effectiveness (e.g. McAllister, 1995). For the current purpose, trust will be treated as an outcome or dependent variable. Social scientists, especially in team literature, have mostly examined the determinants of trust by examining the socio-psychological characteristics of the trustee and the trustor as a criterion for trust (Colquitt et al., 2007; Costa, 2003; Mayer et al., 1995; McAllister, 1995). They have done so when examining interpersonal relationships (Colquitt et al., 2007; McAllister, 1995), intra-team relationships (De Jong and Elfring, 2010; Zand, 1972; Simons and Peterson, 2000), organisational relationships (Mayer et al., 1995) and inter-firm relationships (Gulati, 1995) among others. The team-level determinants of trust in team literature have been summarised to include cognitive conflict, affective conflict, team member familiarity, the perception of team members’ training, and team goal clarity (Bierly et al., 2009) and a shared ascription/general expectation of the interpersonal determinants of trust in a team (De Jong and Elfring, 2010; Zand, 1972; Simons and Peterson, 2000). This study will be adopting similar determinants to measure board trust; however, it is imperative to note that the determinants of trust may vary depending on its dimensions (i.e. cognitive and relationship trust). Whereas cognitive trust is triggered by rational, knowledge-based factors, non-rational factors such as feelings, emotions or homophily are triggers of affective trust (McAllister, 1995).

Considering these identified team-level constructs of trust, in the boardroom, the determinants of trust that were examined in this research are depicted in Figure 4.1. In Figure 4.1 the cognitive and affective determinants of trust are distinguished. The selected cognitive determinants of trust are board members’ cognitive conflict, perception of board members’ competence, and communication efficacy. The chosen affective determinants of trust are board members’ affective conflict, and board members’ familiarity.

These capture the determinants of trust that are commonly identified by team researchers. For example, board members’ competence is synonymous to expertness or ability (Cook and Wall, 1980; Dietz and Den Hartog, 2006; Giffin and Heider, 1967; Kee and Knox, 1970; McAllister, 1995; Sitkin and Roth, 1993). As for benevolence and integrity, these are commonly examined in interpersonal relationships between a trustor and a trustee (e.g. Colquitt et al., 2007; Mayer et al., 1995). These variables are described using synonyms such as openness and consistency respectively (Mayer et al., 1995; Colquitt et al., 2007). The determinant board members’ familiarity has been selected to capture
these variables through the internalisation of interests in an intra-team context (Bierly et al., 2009; Gefen, 2000). More so, Bierly et al. (2009) have proposed this variable to be a determinant of intra-team trust. Just as other researchers have proposed that cognitive conflict, affective conflict and communication are determinants of intra-team trust, these also have been included in the model (Curşeu and Schruijer, 2010; Lacono and Weisband, 1997; Jarvenpaa and Leidner, 1999; Johnson and Grayson, 2005; Simons and Peterson, 2000). The hypothesised relationship between trust and these determinants will be discussed in the following sections.

Cognitive Conflict and Trust

Cognitive conflict in the literature has alternately been identified as task oriented (Amason, 1996), functional (Amason, 1996; Jehn, 1997; Dawes and Massey, 2005; Zona and Zattoni, 2007) or substantive conflict (Pelled, 1996), and it is defined as ‘the disagreement among group members about decisions, viewpoints, ideas, and opinions’ (Langfred, 2007: 885). Cognitive conflict is usually associated with positive outcomes (e.g. Dawes and Massey, 2005; Jehn, 1997; Zona and Zattoni, 2007) as it facilitates the synthesis of different opinions and ideas, and rationality that could enhance the quality of decision-making (Jehn, 1995; Jehn and Mannix, 2001; Johnson and Grayson, 2005; Zona and Zattoni, 2007). In boards, cognitive conflict creates an atmosphere of cognitive trust and a relationship that is based on rationality (Simons and Peterson, 2000), especially when board members engage in the questioning and challenging of the rival hypothesis of other members so as to establish knowledge-based evidence to trust in the boardroom (Huse, 2005; Simons et al., 1999). In sum, cognitive conflict creates an avenue for members to develop knowledge-based trust in the boardroom through the synthesis of ideas or challenging of the rival proposition of other board members. Therefore, it is possible to hypothesise that:

**H1: Board members’ cognitive conflict impacts positively on trust in the boardroom**

The Perception of Board Members’ Competence

Based on the theoretical arguments of Sitkin and Roth (1993), competence is commonly identified as an important determinant of trust. Competence has been described using synonymous terms such as ability, expertise or interpersonal competence (e.g. Giffin and Heider, 1967; Gabarro, 1978; Kee and Knox, 1970; Mayer and Davis, 1999). Sitkin and Roth (1993) and McAllister (1995) found that the perceived abilities of team members, as well as their professional credentials, will increase the degree of trust. Such trust is based on the confidence that members have the ability to carry out their tasks effectively (Mayer et al., 1995). However, before competence may lead to trust in an interpersonal relationship, such trust must be related to the area of specialisation of members, that is, a trust which is
domain specific (Giffin, 1967; Mayer et al., 1995; Zand, 1972). In the presence of such variety of competencies in the boardroom, the allocation of roles should be congruent with the ability of board members in order to facilitate cognitive-based trust (McAllister, 1995; Parayitam and Dooley, 2007). According to McAllister (1995), cognitive-based-trust is based on the perception of competence, responsibility, reliability and dependability that supersedes emotional grounds as it is based on rationality and evidence. When board members perceive the competence of others, members will use this as a foundation to decide to trust, that is, a platform from which a team makes a leap of faith and its members trust each other (McAllister, 1995). In sum, when tasks or roles of members are matched to their competencies this leads to higher trust in the boardroom but when there is asymmetry in the competence and roles, this may lower trust. Also, when a team perceives the expertise of their members, it makes them willing to establish a higher trust using such competence or expertise as a good reason or a rational ground for trust. Therefore, it can be hypothesised that:

H2: Perception of board members’ competence positively impacts on trust in the boardroom.

Communication Efficacy and Trust

Communication in a team involves the sharing of information, experience, and understanding between team members (Aral et al., 2009). The objective of communication, according to Farquhar (2011), is to reduce ambiguity, to process information and to coordinate activities within a team. The efficacy of communication depends on the frequency of communication among members, its bi-directionality, its non-coercive content, its formality and its quality (Farquhar, 2011; Eisenhardt et al., 1997; Mohr et al., 1996; Fisher et al., 1997; Massey and Dawes, 2007). Communication frequency refers to the amount of communication, bi-directionality to the vertical and horizontal flow of information, and non-coerciveness of content to the consequences associated with non-compliance with the communication process (Fisher et al., 1997; Mohr et al., 1996). Formality is the media of communication, that is, formal or informal media (Mohr et al., 1996). Communication quality refers to the credibility, relevance, usefulness and how easy it is to understand what is being communicated (Massey and Dawes, 2007). Communication efficacy has been suggested to be an important variable that facilitates the building of trust (Aral et al., 2009; Bulu and Yildirim, 2008; Eisenhardt et al., 1997; Hinds and Bailey, 2003). However, before communication efficacy can lead to higher trust, board members need to engage in continuous and frequent communication that focuses on the work content (Iacono and Weisband, 1997). Jarvenpaa and Leidner (1999) explained that it is impossible for trust to exist without a social context, that is, communication and interaction, as long as such communication focuses on accomplishing board tasks (Jarvenpaa and Leidner, 1999; Iacono and Weisband, 1997; Ishaya and Macaulay, 1999). Empirical research has found this to be so with teams (Ishaya and
Macaulay, 1999; Jarvenpaa and Leidner, 1999). In sum, if the efficacy of communication is frequent and predictable as well as task focused, communication should lead to trust, hence the hypothesis that:

**H3: Communication efficacy impacts positively on trust in the boardroom.**

**Affective Conflict and Trust**

Affective conflict has been alternatively referred to as emotional and relationship conflict (Amason and Schweiger, 1994; Li and Hambrick, 2005), and it is described as being an ‘inconsistency in interpersonal relationships which occurs when organisational members become aware that their feelings and emotions regarding some of issues are incompatible’ (Afzalur Rahim, 2002: 210).

Evidence indicates that affective conflict has an inhibitive or dysfunctional impact on team effectiveness (Amason, 1996; Eisenhardt and Bourgeois, 1988; Jehn, 1995; Jehn, 1997; Dawes and Massey, 2005; Zona and Zattoni, 2007). The reason for this is that affective conflict fosters intra-team and interpersonal animosity that is detrimental to the functioning of a team (Jehn and Mannix, 2001), as members do not share mutual understanding (Langfred, 2007). This negative emotional feeling is associated with a lack of mutual trust (Curşeu, 2011; Curşeu and Schruijer, 2010; Jones and George, 1998; Simons and Peterson, 2000). Based on these highlighted impacts of affective conflict, it is suggested that affective conflict creates an atmosphere of negative emotionality in the boardroom, and intra-team trust among board members will be easily lowered, hence the adverse effects of affective conflict. Therefore, it is hypothesised that:

**H4: Board members’ affective conflict impacts negatively on trust in the boardroom.**

**Board Member Familiarity and Trust**

According to Gefen et al. (2003: 63), ‘familiarity is one’s understanding of an entity, often based on previous interactions, experience, and learning of the what, who, how, and when of what is happening’. In a team, familiarity is gained from the knowledge acquired from previous work with team members (Goodman and Garber, 1988; Komiak and Benbasat, 2006). Familiarity has been discovered to be a builder of inter-firm trust (Gulati, 1995) and customer trust (Gefen, 2000). In this study, it is suggested to be a determinant of trust in intra-team relationships such as in boards. In intra-team relationships, when experience with team members is negative, this may inhibit the building of higher trust in a team. However, when experiences are positive, this facilitates the emergence of trust in a team (Luhmann, 1979). Such experiences that build familiarity reduce the possibility of uncertainty in the expectations from the relationship in a team (Komiak and Benbasat, 2006). In corporate boards, before familiarity resulting from cumulative knowledge and working experience can develop in the boardroom, board members must have been working together for a considerable period.
and should have met the favourable expectations of members during their previous interactions. Such an extended period spent working together helps board members to easily become fond of each other as they use the consistency in their previous relationship as a framework for future expectation, creating an intra-team relationship that facilitates higher trust (Gefen, 2000; Gulati, 1995). Gulati and Sytch (2008) described this kind of trust as non-calculative or affective trust that stems from an increased identification and internalising of interest among members. In this way, board members’ familiarity satisfies the socio-psychological needs of members (Majchrzak et al., 2005). When such needs are satisfied, it gives members a sense of belonging and identification and fosters social bonds among members (Sluss and Ashforth, 2008).

In sum, familiarity refers to a fond and genial relationship that develops from an extensive continuous interaction between board members (Espinosa et al., 2007; Gulati and Sytch, 2008; Komiak and Benbasat, 2006; Luhmann, 1979). Such interaction creates a framework that allows the internalising of interests between board members, which leads to the development of higher affective or non-calculative trust between them (Gulati and Sytch, 2008). Considering this, it is hypothesised that:

**H5: Familiarity between board members positively impacts on trust in the boardroom.**

**Moderating Variables: Board Tenure**

Board member tenure is the period a director has been sitting on a board (Canavan et al., 2004; Livnat et al., 2016). Considering this, it is useful to note that board member tenure is different from board tenure. Whereas board member tenure refers to a director, board tenure refers to the board as a whole. Therefore, board tenure can be defined as the period of time all members have been sitting on a board together. Board tenure is argued to moderate the hypothesised relationship between trust and its determinants. This is because trust is examined in relational terms based on the period of time the board has been working together which can potentially weaken or strengthen the impacts of the determinants of trust. The later parts of the sections will present the hypothesised moderating effects of board tenure in the relationship between trust and its determinants.

The argument to support the moderating impact of board tenure in the relationship between trust and cognitive conflict can be found in Forbes and Milliken (1999), who argued that long-tenured boards experience lowered cognitive conflict. This is because members are likely to have developed a shared understanding over a long period of interaction. Members tend to rely on previous interactions and develop a ‘repertoire of tasks’ instead of harnessing new stimuli, ideas or innovation through cognitive conflict in the boardroom (Katz, 1982). Cognitive conflict is important because it leads to higher trust in the boardroom as members continue to find rational reasons to trust themselves when they engage in
debates over tasks. Considering this, board tenure weakens the impact cognitive conflict has on trust as members are less inclined to engage in cognitive conflict. This is because the knowledge-based trust of members would retrograde over time as they engage in fewer debates (Forbes and Milliken, 1999). Considering this, it is hypothesised that:

H6: Board tenure negatively moderates the relationship between board members’ cognitive conflict and trust in the boardroom.

In the relationship between trust and the perception of board members’ competence, board tenure is suggested to strengthen this relationship as it creates a space of time that allows members to further enhance their abilities and the knowledge or perception of each other’s competences. According to Forbes and Milliken (1999), long-tenured boards tend to acquire additional knowledge and skills that are organisation and board specific. Tenure does not only allow board members to gather job-specific knowledge; it introduces members to creativity and openness to new ideas (Pfeffer, 1983). Tenure allows board members to acquire additional skills on top of their previously accumulated abilities. Additionally, board tenure allows board members to observe themselves and find a more rational basis for developing higher trust. In long-tenured boards, members can witness the strengths and weaknesses of each board member and how members sharpen their competencies to match the needs of the board (Tesluk and Jacobs, 1998). When board members observe or perceive the development of each other’s competencies, the impact on trust is strengthened. Considering these arguments, it is possible to hypothesise that:

H7: Board tenure positively moderates the relationship between the perception of board members’ competence and trust in the boardroom.

When board tenure moderates the relationship between communication efficacy and trust, a weakening effect is suggested. According to Katz (1982), extended tenures reduce the effectiveness of intra-group communication and isolate the group from information sources. Board tenure weakens the impact communication efficacy has on trust by increasing the level of conformity of board members’ expectations especially when it comes to accomplishing tasks (Kosnik, 1990). When board members become susceptible to such conformity, they become increasingly reliant on standard practices and traditions (Katz, 1982). As a result, this may make members uncertain of board tasks and reduce their confidence (McGrath, 1984). When board members’ confidence is reduced, this could be interpreted as a weakened or lowered board members’ trust. Since tasks can be clarified through communication, communication efficacy sustains higher trust. When board tenure introduces conformity to the impact communication efficacy has on trust, a weakening effect is proposed. Considering this, it can be hypothesised that:
**H8:** Board tenure negatively moderates the relationship between communication efficacy and trust in the boardroom.

In the presence of affective conflict in the boardroom, board tenure further worsens its impact on trust. Affective conflict has also been associated with negative emotionality. When such emotionality pervades the board, it negatively impacts on trust. Board tenure allows time for such emotions, animosity and incompatibilities caused by affective conflict to grow until it is self-sustaining. Affective conflict then becomes fertile, which leads to the worsening effect that it has on trust. When such nurtured negative emotions and animosity is well developed, it completely obliterates the chances of higher trust in the boardroom. In sum, board tenure exacerbates the impact board members’ affective conflict has on trust by allowing time for affective conflict to flourish. Based on this, it is hypothesised that:

**H9:** Board tenure positively moderates the relationship between board members’ affective conflict and trust in the boardroom.

As for the relationship between familiarity and trust, board tenure is suggested to strengthen the relationship as it enables an extended period of interaction that allows board members to further internalise their interests as they become fond of each other (Mallette and Fowler, 1992). As familiarity positively impacts on trust, tenure moderates between these two variables by creating an opportunity for continued interaction between board members that further strengthens their relationship as they find homophilous reasons to do so over time. Therefore, the more familiar board members are with each other, the higher the impact it has on affective trust that members share. Considering this, it is possible to hypothesise that:

**H10:** Board tenure positively moderates the relationship between board members’ familiarity and trust in the boardroom.

**Moderating Variables: Board Meeting Frequency**

Board meetings are the number of general board meetings held each year (Vafeas, 1999). These meetings are usually held at definite intervals. How boards meet differentiates them from regular groups or teams. Unlike conventional teams, boards meet episodically (Forbes and Milliken, 1999). According to Monks and Minow (2008), full board meetings are held on average seven times per year, where members spend less than two weeks per year working on the board they serve. These meetings are used to measure the intensity of board activities (Vafeas, 1999). Board meetings frequency is argued to moderate the relationship between trust and its determinants as it allows members to engage in intra-team interaction, discussing how board tasks would be accomplished (Vafeas, 1999). How
board meeting frequency weakens or strengthens the relationship between trust and its determinants will be discussed in the following paragraphs.

Before such cognitive debate or conflicts are possible in the boardroom, engaging in face-to-face interaction is imperative. Board meetings make this interaction possible. With greater board meeting frequency, members would have the opportunity to participate in productive conflicts more often. From these debates, members will be able to sustain their rational reasons to trust. However, when board members meet frequently, the impact of cognitive conflict on trust may weaken over time as such conflicts could quickly escalate into emotional rifts in the boardroom which could impede any positive impact on trust (cf. Amason and Sapienza, 1997; Jehn, 1995; Mooney et al., 2007; Pelled, 1996; Simons and Peterson, 2000). Where the apriori relationship between cognitive conflict and trust is assumed to be positive, the moderating effect of board meeting frequency would weaken the relationship. The reason for this suggested effect is that the frequency of board meetings sets the stage for board members to engage in a repeated cognitive conflict which potentially deteriorates to give negative effects. Considering this feature of board meeting frequency, the assumed positive impact of cognitive conflict on trust is weakened. Therefore, it could be hypothesised that:

**H11:** Board meeting frequency negatively moderates the relationship between board members’ cognitive conflict and trust in the boardroom.

Regarding the relationship between the perception of board members’ competencies and trust in the boardroom, a positive moderating effect of board meeting frequency is suggested. Board members’ perception of each other’s competencies implies that members can witness, observe and understand the abilities of their colleagues. Board meeting frequency makes such perceptions possible. During board meetings, members are given the opportunity to exhibit their expertness or competencies, while others observe (Vafeas, 1999). Board members would be able to gather sufficient compelling evidence on which they would base their decision to trust cognitively. Considering this, the perception of board members’ competencies’ impact on trust is strengthened by board meeting frequency. Therefore, it can be hypothesised that:

**H12:** Board meeting frequency positively moderates the relationship between the perception of board members’ competence and trust in the boardroom.

Considering the proposed positive relationship between trust and communication efficacy, board meeting frequency is suggested to weaken the relationship. This is because the more frequently board members meet, the less inclined they are to engage in an efficacious form of communication that is task focused. According to Katz (1982) and Kosnik (1990), the more time team members such as those
in corporate boards spend with each other, the more conformity to routines is created, which undermines effective communication in the boardroom as board members become easily susceptible to standard practice. In a similar vein, Vafeas (1999) argued that during board meetings communication in the boardroom may be based on an agenda set by the CEO, and for this reason, board communication is hardly productive. Another reason why a weakening effect of board meeting frequency is suggested is that board meetings create impediments to communication efficacy (Malenko, 2014). Among these impediments is that board communication is usually very limited during board meetings (Malenko, 2014). The other reason mentioned by Malenko (2014) is that during board meetings, directors are usually reluctant to communicate freely due to reputational concerns, as they do not want to appear uninformed or incompetent when expressing controversial opinions. Therefore, directors succumb to conformity, allowing board meetings to weaken the impact of communication on trust. Therefore, it is hypothesised that:

**H13: Board meeting frequency negatively moderates the relationship between communication efficacy and trust in the boardroom.**

Board meeting frequency is suggested to negatively moderate the relationship between affective conflict and trust in the boardroom. In the presence of affective conflict in the boardroom, it is unlikely that members develop higher trust for each other. This is because affective conflict is fuelled by incompatibilities and negative emotions. When such an atmosphere permeates the board, interaction during board meetings becomes frustrating and upsetting (Pelled, 1996). Board meetings give members an opportunity to express their animosity, antagonism and the discomfort they experience when trying to relate to other board members. Board meetings also allow members to cultivate or nurture feelings of animosity especially when treated in such a way by other members. This fragile interaction that board meetings facilitate may also incline board members to ponder about how they have been treated by other members and then retaliate. This creates a vicious circle of negativity in the boardroom. With the presence of such self-sustaining affective conflict, the possibility of higher trust will be annihilated. In sum, board meeting frequency creates an avenue to intensify affective conflict through retaliation to experienced frustration and bias from other members. Considering this, it is therefore hypothesised that:

**H14: Board meeting frequency positively moderates the relationship between board members’ affective conflict and trust in the boardroom.**

Board members’ familiarity is hypothesised to lead to higher trust in the boardroom. The rationale behind this positive relationship is that board members’ familiarity helps satisfy members’ socio-psychological needs (Majchrzak et al., 2005). Board members become familiar with each other
through an extended period of interaction (Gulati, 1995). Over time, members’ interests are internalised as they use past favourable experiences with members as a basis for higher trust (Gulati and Sytch, 2008). Board members’ familiarity facilitates a relational attachment in the boardroom. Before an affective relationship develops from board members’ familiarity, the proximity of face-to-face interaction is imperative. Board meeting frequency makes such interaction possible. Board meetings create an environment where board members can learn about each other’s interests. With the greater frequency of board meetings, board members’ interests are more easily aligned over time. Greater board meeting frequency also makes the building of intra-team relationship possible, and this involves board members getting familiar with each other. To sum up, greater board meeting frequency helps members to satisfy their social needs. As greater board meeting frequency creates an environment for familiarity, higher trust in the boardroom is sustained. Therefore, it can be hypothesised that:

**H15:** Greater board meeting frequency positively moderates the relationship between board members’ familiarity and trust in the boardroom.

**METHOD**

To test the formulated hypotheses regarding the relationship between trust and its determinants, a quantitative survey of UK boards was carried out. The unitary board system in the UK has proved to be a suitable testing ground for trust. It is also a particularly useful empirical setting to explore interaction that facilitates trust between different types of directors (executive and non-executive). The use of a survey study as an instrument of this research has been favoured mainly as a response to the call to develop measures that capture the complexity of actual board behaviour and processes such as trust, moving away from archival data (Forbes and Milliken, 1999; Hambrick et al., 2008). The use of instruments such as surveys has brought researchers closer to the phenomenon under investigation and has been useful in understanding actual board behaviour (Zona and Zattoni, 2007; Minichilli et al., 2009, 2012).

The population of the study was extracted from the Morningstar Company database, formerly known as Hemscott, holding fundamental information on the UK’s top 300,000 companies. The survey was administered in two waves to 905 companies between May 2015 and July 2016 and the response rate was 11 per cent, that is, 101 responses. The point of contact for the survey were the CEOs of these companies. This research has used CEOs as the point of contact in a way that is consistent with a vast amount of corporate governance studies for two reasons: one, there is difficulty in gaining access to primary data on boards of directors, hence the reason to use a single respondent (e.g. Machold et al., 2011; Zona and Zattoni, 2007; Minichilli et al., 2009; Zahra et al., 2000); two, boards of directors have
a tendency to conduct their meetings in secrecy and are usually less open to activities that are carried out in the boardroom (e.g. Daily et al., 2003; Pettigrew, 1992).

To deal with common method bias issues, this research has adopted two procedural methods (i.e. protecting respondents’ anonymity and improving the scale items) to test for common method bias. To protect respondents’ anonymity, the cover letter attached to the questionnaire assured respondents of the confidentiality of their responses; that neither the names of their companies nor the names of the respondents would not be included in the final report. As for ensuring an improved scale for the items being measured, a pilot test was carried out on the survey instrument. This was to make sure that the questions were unambiguous, succinct, and straight to the point.

In addition to the procedural method, a statistical remedy was also adopted to address potential common method bias issues. This study adopted Harman’s single factor as a statistical method for testing for common method bias and it was found that the instrument used in the research was free from a significant common bias effect.

Variables and Measures

The dependent variable for this research is trust, where the independent variables are cognitive conflict, the perception of board members’ competence, communication competence, affective conflict, and familiarity. Familiarity was treated as a single construct of 15 items and three sub-con structs, being professional life, personal life, and personality. All the variables were measured using 7-point Likert Scale Measurements, except for board members’ familiarity measured using a 4-point Likert Scale. The items used to measure these variables, including the sources from which these items were adopted, their factor loadings and Cronbach Alphas, are reported in Table 4.1. The survey was also used to gather archival data used as control and moderating variables; these were board numbers, the proportion of male to female directors, the proportion of executive to non-executive directors, the presence of CEO duality, board meeting frequency, and board tenure.

FINDINGS

Table 4.2 presents the correlation analysis results that reveal the relationship between trust (the dependent variable), its determinants (cognitive conflict, the perception of board members’ competence, communication efficacy, affective conflict, and familiarity), control variables, and moderating variables. The results show that there is a significant positive correlation between trust, cognitive conflict, the perception of board members competence, and communication efficacy. The
relationship between trust and familiarity was tested in two ways. Familiarity was treated as a 15-item construct and the result shows a significant positive relationship to trust. Familiarity was also tested as a subset of three constructs (personal life, professional life, and personality familiarities) these too were found to be significant in relation to trust. As for the correlation between trust and affective conflict, a significant negative relationship was reported. In the relationship between trust and the control variables, there was found to be no significant linear relationship except for company sector that had a significant relationship to trust with the coefficient value of 0.225.

The result of the correlation analysis also showed multiple correlations between the independent variables, which could potentially imply the issue of multicollinearity. In the regression analysis, although not reported, the variance inflation factors (VIF) measure was adopted to test the multicollinearity between the predictor variables. The VIF values ranged from 1.130 to 2.44. As the values are less than 5, this indicated a moderate correlation between the predictor variables. Therefore, the suggested multicollinearity between the predictor variables reported in the correlation analysis in Table 4.2 was ignored.

Insert Table 4.2 near here

The hypotheses developed were tested in regression analyses. The results for five models in Table 4.3.

Insert Table 4.3 near here

Model 1 shows the regression of firm and board demographic controls against trust, and Model 2 shows the results of the primary model of the relationship between trust and its determinants. Model 3 shows the result of the regression analysis where familiarity was treated as a subset of three constructs, that is, personal life, professional life, and personality. The results of the interaction effects of board meeting frequency and board tenure are presented in Model 4 and Model 5. In Model 5, familiarity is treated as a subconstruct of three items when testing for the moderating effects of board meeting frequency and board tenure. Based on the results of the regression analysis, the strongest models are Models 2 and 3, and the acceptance or rejection of the formulated hypotheses will be based on these models: Model 2 for when familiarity is treated as a singular variable and Model 3 for when familiarity is treated as a subset of three constructs. In Model 2, 50 per cent of the variation in trust was explained by the determinants of trust as shown by the value of the Adjusted R2. β values for the perception of board members’ competence and affective conflict were found to be the variables that significantly (P-value < 0.01) explain trust. Also, the familiarity among board members was also found to explain trust positively at a significance level of 10 per cent (depicted by the P-value = 0.1). In Model 3, the value of the Adjusted R2 shows that 52 per cent of the variation in trust is explained by the dependent
variables. In this model, the β values for the perception of board members’ competence and affective conflict were found to significantly explain trust positively and negatively, respectively. As for familiarity, the personality of board members was the only sub-construct found to trust at a significance level of 10 per cent (P-value = 0.1). The findings in these models show that hypotheses 2 (Perception of board members’ competence positively impacts on trust in the boardroom), 4 (Board members’ affective conflict impacts negatively on trust in the boardroom) and 5 (Familiarity between board members positively impacts on trust in the boardroom) were supported. The discussion on these findings will be presented in the following section.

DISCUSSION

Perception of Board Members’ Competence

The findings regarding the impact of the perception of board members’ competence on trust are consistent with the formulated hypothesis. When the relationship was moderated by board meeting frequency and board tenure, the results were not significant, implying that board meeting frequency and board tenure do not strengthen or weaken the relationship between the perception of board members’ competence and trust.

The treatment of the perception of competence (in boards) in this study departs from how previous studies have treated this variable. Alongside variables such as integrity and benevolence, previous studies treat competence or its perception as a sub-construct of the propensity to trust, which is a determinant of interpersonal trust (Colquitt et al., 2007; Mayer et al., 1995), although integrity and benevolence have been found to be redundant when examining their impact on trust (Jarvenpaa et al., 1998; Mayer and Gavin, 2005). In this study, the perception of competence is treated as a separable determinant of intra-team trust, a cognitive calculation of the skills and capabilities of board members which were found to be similarly significant. The findings in this research support Colquitt et al.’s (2007) and other researchers’ findings that perception of competence is a significant predictor of trust among board members who are reminiscent of a team or a workgroup (Forbes and Milliken, 1999).

The positive impact of competence on cognitive trust reported in this research is also similar to what is reported in previous studies (Ayios, 2003; Colquitt et al., 2007; Connelly et al., 2018; McAllister, 1995; Sitkin and Roth, 1993, Simon and Peterson, 2000). For example, researchers such as McAllister (1995) and Parayitam and Dooley (2009) described the form of trust that competence facilitates to be cognitive. The explanation for the positive relationship is that when board members are aware of each other’s competencies, they are assured that members will use their diverse skills and become more creative in carrying out their tasks, which increases the level of trust.
This finding has implications for boards’ composition and why members should engage in activities that enhance their capabilities. Such activities could include training and development that improve their skills in the boardroom and evaluation of each other’s competencies. Regarding board composition, a higher level of professional or competence diversity is required in the boardroom. According to Minichilli et al. (2009) and Kanadli et al. (2018), boardroom skills, competence or knowledge-based diversity produce positive cognitive outputs because they increase the likelihood of creative and innovative solutions to problems. As established in this study, an example of such cognitive output is trust. Therefore, when appointing board members, their capabilities or competencies should be taken into consideration to foster trust in the boardroom. This conclusion is consistent with Biggins (1999), who stated that the appointment of board members should be based on the belief that these individuals have the expertise to provide a high level of advice and that they are better equipped to understand the challenges and performance evaluation of executives.

Also, board evaluation, development and training can also increase awareness of members’ competencies in the boardroom, hence their decision to trust. According to Foster Back (2005), competence is vital in reinforcing trust. Although it should be borne in mind that all directors should possess a minimum level of core competence, nevertheless, individual directors should be matched against a set of desirable competence requirements depending on the extent of openness and trust (Coulson-Thomas, 2009). When members observe certain deficiencies among themselves due to certain weaknesses in the structure or operation of the board, it impedes trust in the boardroom. Therefore, the training and development of the boardroom team should be prioritised. The development of the board in order to build and maintain competent and strong members entails a range of activities (Coulson-Thomas, 2009; Lee and Phan, 2000; Watson et al., 2004). These activities may include careful recruiting and selection, training and preparing, performance evaluation and removing of incompetent board members (Coulson-Thomas, 2009; Daily et al., 2003; Larcker et al., 2017; Lee and Phan, 2000; Watson et al., 2004). According to Van den Berghe and Levrau (2004), the training, development and evaluation of the board should be carried out at least annually. When these measures are carefully executed to ensure the presence and awareness of competence in the boardroom, cognitive trust will be enhanced.

Affective Conflict

Affective conflict was found to negatively impact trust as depicted in Models 2 and 3, which imply that the presence of affective conflict in the boardroom leads to lower levels of trust. When the effects of the moderating variables were tested, board meeting frequency and board tenure neither strengthen nor weaken the relationship between affective conflict and trust.
The outcome of this study is similar to the findings in extant literature, which is that affective conflict has negative consequences as it is instigated by interpersonal animosity and other homophilic factors (Amason, 1996; De Dreu and Weingart, 2003; Dijkstra et al., 2005; Jehn, 1995; Langfred, 2007; Li and Hambrick, 2005). Studies have found affective conflict to negatively impact on board and team effectiveness (e.g. De Dreu and Weingart, 2003; Jehn, 1997), decisions (Parayitam and Dooley, 2009; Simons and Peterson, 2000) and firm performance (Amason, 1996; Elbanna, 2009). Similar to this trend, it is unsurprising that affective conflict was found to adversely impact trust in the boardroom. Affective conflict often leads to escalated hostility among members and is more likely to negatively impact on board outcomes such as trust in the boardroom (Jehn et al., 2008; Rispens et al., 2007). Due to the negative impact, scholars who have examined trust have recommended that affective conflicts or predictors of trust should be properly managed so that they supplement cognitive determinants, such as competence or the propensity to trust (McAllister, 1995; Williams, 2001).

The implication of this finding on board practice is that interaction in the boardroom should be such that members’ trust is undamaged through intra-team emotional conflict. This responsibility largely rests on the chairperson of the board. This is because chairpersons are commonly appointed based on peer respect, professional knowledge and demonstrated commitment. Therefore, reducing affective conflict in the boardroom will require less effort from the chairperson. Research also suggests that the adverse effects of affective conflict can be lessened under certain conditions (de Wit et al., 2012). For example, researchers have found that affective conflict is less likely to negatively affect proximal and distal group outcomes when an effective management strategy is put in place (De Dreu and Van Vianen, 2001; Murnighan and Conlon, 1991; Tekleab et al., 2009) and when low emotionality surrounding affective conflict is discouraged in the boardroom (Jehn et al., 2008). The literature agrees that affective conflict within boards has a dysfunctional impact on outcomes (Amason, 1996; Jehn, 1995; Jehn, 1997; Dawes and Massey, 2005; Zona and Zattoni, 2007). This research contributes to, and further validates, how board affective conflict is perceived in the boardroom regarding its negative consequences. However, it is useful to note that avoiding this form of conflict paradoxically could hinder good governance (Heemskerk et al., 2016).

Familiarity

Familiarity was found to positively impact on trust at a significance level of 10 per cent. When treated as a subset of three constructs (i.e. professional life, personal life, and personality), familiarity of board members’ personality was found to be the more significant construct. This research upholds the findings of researchers such as Gulati and Sytch (2008), who described familiarity as desirable in the building of teams.
Prior research has investigated familiarity (measured by knowledge acquired from an extended period of interaction) as a cognitive determinant of team outcomes (e.g. Komiak and Benbasat, 2006). This study treated familiarity differently by adopting Hanft and Surprenant’s (2002) measure. Familiarity measured by the interests in board members’ professional life, personalities, and personal life was treated as an affective determinant of affective trust, with the familiarity of members’ personalities being the only significant sub-construct. Again, this implies that in board practices, familiarity is instrumental in the building of trust (Gulati and Sytch, 2008; Komiak and Benbasat, 2006; Zhang et al., 2007). Board members ought to engage in social interactions that would enable them to familiarise themselves with each other’s personalities to reduce the likelihood of damaged trust.

Limitations and an Area for Future Research

There are three main limitations to this research that should be identified. The first main limitation has to do with the relatively low response rate. This is a common limitation in board research because gathering data from boards is extraordinarily difficult and, for this reason, many board researchers opt for archival data gathering techniques (Daily et al., 2003). However, the response rate and sample size are not substantially lower than that in other board studies (e.g. Minichilli et al., 2009 = 15 per cent; van Ees et al., 2009 = 10.5 per cent). Furthermore, a check for non-response bias showed no significant disparity between the sample and the population.

The second limitation of this research has to do with the type of board on which the findings of this research are based. The UK adopts a one-tier board system which includes both executive and non-executive directors. While this was a helpful empirical setting to study trust and its determinants, it is nevertheless difficult to generalise the findings of this research to other countries that adopt a two-tier or multiple-tier board model. Further research could usefully test the developed model of trust and its determinants in other countries or in a cross-country study.

The third limitation of this research has to do with the nature of this research. This research falls into the category of a cross-sectional study. A cross-sectional study is research carried out based on data collated at a specific point in time. Thus, the research could only test for associations, and not make claims to causality. Longitudinal studies, or repeat surveys like the one done by Huse and colleagues (e.g. Machold et al., 2011), could test how sequences of processes evolve.

As for an area for future research, although this research focused on the determinants of trust, it is worth examining the outcomes of trust. For example, corporate governance policy discussions are around board independence, and the impact of trust could be considered in terms of its implication on board independence, which is the ability of non-executive directors to see things differently and their
ability to offer alternative perspectives in strategic decision making (Roberts et al., 2005). Zattoni and Cuomo (2010) broadly described this as ‘directors’ independence of mind’. The consequences of trust is an area of board research that is worthy of further examination.

CONCLUSION

This research has established that the perception of board members’ competence (cognitive determinants), affective conflict, and familiarity of board members’ personalities (which are affective determinants) are predictors of trust in the boardroom. Whereas affective conflict had a negative impact on trust, the perception of board members’ competence and familiarity with members’ personalities had a positive impact on trust. Cognitive conflict and communication efficacy, although proposed to be determinants of trust, were found to be insignificant predictors.

Apart from these main findings, there are other contributions to knowledge proposed in this research. First, this study is a response to the call for research from scholars regarding trigger factors to board processes (e.g. Farquhar, 2011; Huse, 2005; Minichilli et al., 2009; Pye and Pettigrew, 2005; Roberts et al., 2005). Thus, by investigating trust, this research intended to ignite further research on the determinants of board processes in a way that departs from the pattern found in board behaviour and board process literature, which is dominated by the impact of board processes on board task performance.

Second, board process literature has atomised board processes when examining how they impact on board performance. They have failed to consider the possibility of board processes triggering one another. What the result of this research shows is that processes do not necessarily work ‘side by side’; rather, they can influence each other.

REFERENCES


Figure 4.1 Research model
### Table 4.1 Variables

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<thead>
<tr>
<th>Variables</th>
<th>Factor Loadings</th>
<th>Cronbach Alpha</th>
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<tr>
<td><strong>Trust</strong> (Simons and Peterson, 2000)</td>
<td></td>
<td>0.901</td>
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<tr>
<td>There is considerable trust amongst members of the board</td>
<td>0.643</td>
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<tr>
<td>I know I can strongly depend on other board members</td>
<td>0.745</td>
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<tr>
<td>Other members of the board know they can rely on my full support</td>
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<tr>
<td><strong>Cognitive Conflict</strong> (Wang and Ong, 2005; Jehn, 1995)</td>
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<tr>
<td>Board members consider the viewpoints of other members</td>
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<td>The atmosphere on the board encourages critical thinking</td>
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<td>Board members are well qualified for the task of the board</td>
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<td><strong>The Perception of Board Members’ Competence</strong> (Mayer and Davis, 1999)</td>
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<td>Board members are capable of performing their role</td>
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<td>Board members are knowledgeable about the task that needs to be done</td>
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<td>Board members are successful in the things they try to do</td>
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<td>Board members are confident about the skills of other board members</td>
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<td>Board members frequently communicate about tasks</td>
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<td>Board members are clear on how board tasks are to be accomplished</td>
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<td>Board members are provided with a clear explanation of what each task involves</td>
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<td>There are personality clashes during the process of decision-making in the boardroom</td>
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<td>Board members do not get along very well</td>
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<td>At least one director disagrees with a decision made in the boardroom</td>
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<td>Emotional conflict is often evident on this board</td>
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<td><strong>Familiarity</strong> (Hanft, 2002; Maynard, 2007)</td>
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### Table 4.2 Correlation analysis

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** Correlation is significant at the 0.01 level (2-tailed)
Table 4.3 Regression and moderation analyses (Trust, and Cognitive conflict, Perception of board members’ competence, Communication efficacy, Affective conflict, Familiarity, and Familiarity: personality, professional life, and personal life)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
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H1: Cognitive Conflict
H2: Perception of Board Members’ Competence
H3: Communication Efficacy
H4: Affective Conflict
H5: Familiarity
H6: Board Tenure Moderation: Cognitive Conflict
H7: Board Tenure Moderation: Perception of board members’ competence
H8: Board Tenure Moderation: Communication efficacy
H9: Board Tenure Moderation: Affective Conflict
H10: Board Tenure Moderation: Familiarity
H11: Board meeting Frequency Moderation: Cognitive Conflict
H12: Board meeting Frequency Moderation: Perception of board members’ frequency
H13: Board meeting Frequency Moderation: Communication efficacy
H14: Board meeting Frequency Moderation: Affective Conflict
H15: Board meeting Frequency Moderation: Familiarity

R² | 0.083 | 0.571 | 0.597 | 0.662 | 0.682 |
Adjusted R² | 0.006 | 0.505 | 0.522 | 0.553 | 0.539 |
F-Change | 1.077 | 17.762** | 13.809** | 2.246 | 1.335† |

Note: N=101, The table shows the standardised coefficients (β), the value of the adjusted $R^2$, and the value of the F change.

The levels of significance are * < 0.05; ** < 0.01, † = 0.10