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**CHANGES ON RESOURCES PROVIDED BY DIRECTORS: A
PRIVATISATION CONTEXT**

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Abstract

This paper explores how privatised firms change their boards' structure and composition regarding director profile -business experts, support specialists and community influentials- to obtain the resources required to operate in the new context. Based on three case studies, our results show the limitations of previous studies that have only focused on traditional variables, such as board size and composition (insiders and outsiders). Regarding directors' profile, the study shows that directors who are business experts play a greater role after privatisation, whereas directors with an influential community role become less important. An in-depth analysis using questionnaires, interviews and secondary sources of information enabled us to exactly determine the resources provided by the different director types before and after privatisation.

Keywords: Board of directors, corporate governance, privatisation, provision of resources.

CHANGES ON RESOURCES PROVIDED BY DIRECTORS: A PRIVATISATION CONTEXT

1.- INTRODUCTION.

In the literature special attention is given to the study of the board of directors both in academic and professional contexts because of the board's decisive influence on company outcomes (Forbes and Milliken, 1999; Hillman and Dalziel, 2003; Pearce and Zahra, 1992). Several studies have analysed the different roles that this entity plays within a company (Johnson, Daily and Ellstrand, 1996; Zahra and Pearce, 1989).

A considerable amount of literature focuses on monitoring (Dalton, Daily, Ellstrand and Johnson, 1998; Parker, 2008) and strategic function (Pugliese, Bezemer, Zattoni, Huse, Van den Bosh and Volverda, 2009). However, the provision of resources role has received scant attention in previous studies (Hillman, Withers and Collins, 2009). This fact is surprising because the board of directors is a mechanism for managing the external dependence of the firm, reducing environmental uncertainty, and helping the company achieve a better competitive position (Hillman, Cannella and Paetzold, 2000; Pfeffer, 1972). Regarding the provision of resources, researchers have mainly focused on proxy variables to determine the ability of directors as resource providers. In this sense, studies have linked large boards (Dalton, Daily, Johnson and Ellstrand, 1999) and a higher number of outside directors (Johnson et al., 1996) with a greater ability of a board to provide resources. However, research that proceeds beyond the discussion of the absolute number of directors (or outside directors) to the question of which resources are important is largely absent (Hillman, 2005). Therefore, the specific resources provided by directors became an important subject for analysis.

Attempting to fill this gap in the literature, recent studies have highlighted the importance of considering the contexts of firms because the provision of resources may not be equally important in all environments (see Hillman, Withers and Collins, 2009). In this connection, Jones, Makri and Gomez-Mejia (2008) have noted the necessity of studies that consider the context in which the directors are most useful to their firms as resource providers. Certain

authors have noted that companies modify the composition of their boards of directors to respond to the new conditions imposed by the context (Kroll, Walters and Le 2007; Hillman et al. 2000; Boeker and Goodstein, 1991).

Considering the key part played by context and its potential influence on the roles of the directors, privatisation can be understood as a phenomenon in which the external environment of the firm may vary and cause changes when a firm's ownership passes from state to private hands (Villalonga, 2000; Francis and Minchington, 2002). The specific changes that occur in a privatisation could provide a framework for understanding better which resources should be provided by directors. Despite the substantial attention given to privatisation processes in the research (Hassard, Morris and Sheehan, 2002; Zahra, Ireland, Gutierrez and Hitt, 2000; Ogden and Watson, 2012), authors such as Ferlie, Hartley and Martin (2003) and Denis and McConnell (2003) claim that studies addressing the structure of privatised companies are limited or non-existent, particularly with respect to the configuration and composition of the board of directors as it fulfils functions. Studies that address privatisation (Bozec, Zéghal and Boujenoui, 2004; Cabeza and Gómez, 2007; Peng, Buck and Filatotchev, 2003) only describe changes related to the composition of boards without providing an in-depth study of the role played by directors as providers of resources in the years previous and subsequent to privatisation.

The aim of this study is to explore how privatised firms change the structure and composition in terms of directors' profile (business experts, support specialists and community influentials) to obtain the resources required to operate in the new context. To achieve our objective, we use the resource dependency theory because of its ability to explain the role of directors in resource provision.

Based on three case studies, our results show that the board's size does not increase and the insider-outsider balance remains almost constant. As for the directors' profile, the study shows that business experts are increasingly represented after privatisation, whereas directors with an influential community role become less important. An in-depth analysis based on questionnaires, interviews and secondary information sources enabled us to acquire precise knowledge of the different resources provided by the different types of director before and

after privatisation. For example, when firms are state-owned, directors often provide communication channels to the government and other public agencies. However, when a firm is privatised, its directors more frequently provide advice and counsel on business management and in areas such as finance.

This study contributes to the literature in the following ways. First, it highlights the limitations of the traditional variables of the resource dependency theory, such as size and composition (insiders and outsiders), to determine the ability of the board of directors to provide resources to the organisation in a privatisation context. Second, the study shows that a director's profile is a decisive indication of the director's capacity to provide resources in a privatisation context, because the director facilitates a firm's adaptation to the environment requirements. Finally, the paper's use of multiple case studies is valuable for two reasons. 1) It provides longitudinal evidence. Employing several case studies result in a better understanding than otherwise possible of the actions undertaken by the board of directors to provide necessary resources. 2) This study analyses not only the information provided by directors but also the perceptions of top managers regarding the provided resources.

In the following sections we offer a review of the literature, we present the method and discuss our empirical results. Finally, we outline the study's main conclusions and limitations providing suggestions for further research.

2.-LITERATURE REVIEW

2.1 The resource dependence theory and the board of directors

The resource dependence theory posits that organisations constantly require external resources and therefore the environment has an impact on these organisations (Pfeffer and Salancik, 1978). The literature shows the key role played by the board of directors as resource providers based on the links that the directors embody between the firm and its environment (Filatotchev and Nakajima, 2010; Johnson et al., 1996; Zahra and Pearce, 1989).

Following Pfeffer and Salancick (1978) and Hillman and Dalziel (2003), the resources provided by directors could be categorised as follows: (1) counsel and advice (Jones, et al.,

2008; Kroll, et al., 2007; (2) legitimising and bolstering a firm's public image (Knockaert and Ucbasaran, 2013; Musteen, Datta and Kemmerer, 2010; Hambrick and D'Aveni, 1992; Pfeffer and Salancik, 1978); (3) facilitation of access to resources (Boeker and Goodstein, 1991; Mizruchi and Stearns, 1994); and (4) building external relationships (Agrawal and Knoeber, 2001; Peterson and Philpot, 2009).

These four groups of resources provided by directors help firms cope with uncertainty arising from the environment. Nevertheless, private firms are more sensitive to environmental uncertainty than state-owned enterprises (SOEs) (Megginson, Nash and Van Randenborgh, 1994). Therefore, private firms are expected to develop strategies to cope with the uncertainty. In contrast, SOEs count on government support, which guarantees firm survival, although SOEs also require specific resources to respond to political objectives and the general interests of the citizenship. Additionally, SOEs present certain peculiarities. First, SOEs are rarely diversified (Cragg and Dyck, 2000), which means that they usually focus their activity on a unique product or service. Second, SOEs are geographically limited to a national territory (Ocaña and Salas, 1983). Furthermore, SOEs are usually oligopolistic or monopolistic (Ocaña and Salas, 1983).

Privatised firms depend on their own resources to confront environmental uncertainty and achieve goals that are clearly oriented toward efficiency and productivity (Shleifer and Vishny, 1994). After privatisation, the company and its interests depend on the market flow. This change creates a new scenario in which the company has survival as its primary objective (Zahra, Ireland, Gutierrez and Hitt, 2000). According to Zahra and Hansen (2000) and Erakovic and Wilson (2005), privatisation increases the pressure to work hard, conserve resources and develop skills that fulfil market demands.

Bearing this idea in mind, we can understand that the resources required by privatised companies and SOEs could be different. This argument points out the necessity of the analysis of the specific characteristics that a board of directors should possess to provide the resources appropriate to a firm's status as require analysis (private or public).

2.2 The determinants of resource provision in the board of directors

According to the dependence resource theory, two factors determine the capacity of the boards of directors as resource providers: board size and composition (Johnson et al., 1996).

Previous research demonstrates that the number of directors is related to a company's ability to obtain key resources (Pfeffer, 1972). Board size is a variable used to measure an organisation's ability to establish interaction and links with the environment (Dalton, et al. 1999) and obtain key resources (Goodstein, Gautam and Boeker, 1994; Pfeffer and Salancik, 1978), such as budgetary allowances and external funds (Pfeffer, 1972; Provan, 1980).

Another variable related to the supply of resources by the board is the board's composition (Johnson et al., 1996), which can include outsiders and insiders. In this sense, although both insider and outsider director groups may provide their company with valuable resources, research shows that the role played by the outsiders is central (Boeker and Goodstein, 1991).

Although the insider-outsider classification is useful (Zahra and Pearce, 1989), a further typology is required to gain a thorough understanding of the function of directors and the provision of resources. Hillman et al.'s typology (2000) identifies three types of outside director: business expert, support specialist and community influential, with the aim of determining the resources provided by the members of the board. The business experts are directors who are or have been both directors and executives at other companies. The support specialists are lawyers, fiscal agents or financial brokers, insurance agents and public relations experts. Finally, community influentials are retired politicians or university representatives. The type of director included in each category and the specific resources provided are shown in table 1.

INSERT TABLE 1 ABOUT HERE

Hillman et al. (2000) proposed a distribution of resources provided by the different director types in a deregulation environment. Other studies have used the same researchers' typology of directors to study the relevance of specific director types in specific contexts. For example, Kroll, Walters and Le (2007) found young post-initial public offering (IPO) firms benefit

from the advice and counsel provided by business experts. Additionally, Jones, Makri and Gomez-Mejia (2008) observed in family firms that specific director types—business experts and support specialists—tended to encourage diversification. In a recent study, Haynes and Hillman (2010) use the typology of directors to examine directors’ influence on strategic change. In sum, these studies show that firms should configure their boards according to the resources required in a specific context.

3.-RESEARCH METHODOLOGY

Given the context and complexity of the studied phenomenon (Marshall and Rossman, 1995), an examination of multiple case studies (Yin, 1994) is the most suitable method to understand the dynamic changes of firms. A qualitative analysis facilitates the elaboration of an in-depth study.

In line with Yin’s (1994) suggestions, the cases examined are not an arbitrary selection but aim to include different combinations related to two control variables: (1) the industrial sector (i.e., the studied companies should represent a variety of industries) and (2) the companies should belong to Spanish strategic sectors. In addition, we apply the following restriction: the companies selected for study were fully privatised after 1996. The reason for this restriction is related to the fact that the privatisation process in Spain is divided into two different periods (Caixa, 1999). The first period includes privatisations that occurred from 1985 to 1996, when the Spanish government aimed at a reform of the public sector rather than a privatisation policy per se. A second period of privatisation in Spain started after 1996 with the Modernisation Programme of the Public Sector. This programme encouraged the privatisation of efficient state-owned companies. Meanwhile others were preparing to make them profitable. This second period witnessed a complete process of privatisation. Following the above-mentioned requirements, we analyse three privatised Spanish companies: Endesa, Iberia and Repsol (see table 2).

INSERT TABLE 2 ABOUT HERE

Once we identified the three companies, we communicated with the company CEOs by telephone and e-mail. This first communication enabled us to invite the CEOs to participate in our study and request information, such as board and top management team composition and reports, for the five years before and after privatisation. At the same time, we sent e-mails providing information about the objectives of this study.

The population was composed of 114 directors (Endesa: 37; Iberia: 35; Repsol: 42) and 114 top managers (Endesa: 54; Iberia: 34; Repsol: 26). After numerous communications with the three companies, thirty interviews were performed, corresponding to 18 directors and 12 top managers (table 3), showing a response ratio of 15.8% and 10.5%, respectively. Among those interviewed were four CEOs and two managing directors.

INSERT TABLE 3 ABOUT HERE

Interviews and a questionnaire survey were used simultaneously. The questions were based on the resources provided by directors before and after privatisation. We built a questionnaire with structured questions, which was divided into two columns to enable the interviewed persons to assess their answers in the pre- and post-privatisation periods. The questions were written according to the resource classifications in the literature (Hillman and Dalziel, 2003; Pfeffer and Salancik, 1978) and referred particularly to the specific activities undertaken by the board, such as counsel and advice, legitimising and bolstering of the firm's public image, facilitating resource access and building external relationships (see table 4). The information about the resources provided by the directors in each of the firm's phases was obtained from the directors and top managers.

INSERT TABLE 4 ABOUT HERE

To analyse the director profiles, we used secondary information sources, such as annual reports, company Web sites, the National Securities Market Commission (NSMC), databases, Who's Who and various business publications. A total of 114 director profiles were analysed. Table 1 summarises the criteria used to classify the directors into one of the three profiles considered in this research. Each director was classified in one of the categories mentioned above (according table 1), in which "1" corresponds to the business experts, "2" corresponds to the support specialists and "3" corresponds to community influentials. Following the same procedure as Hillman et al., (2000), the directors were first codified by one of the authors and later by a researcher who was not related to this study with the aim of producing a more objective description. To analyse changes in board size and composition (in terms of inside and outside directors), the five years prior to and after privatisation were considered (10 years), with the exception of one company, which presented information regarding the three preceding and the five years following privatisation (8 years).

Wilcoxon non-parametric tests (Siegel and Castellan, 1988) were used to test for statistically significant differences between the resources provided by directors before and after privatisation. The open questions enabled the respondents to provide information that they considered relevant in terms of the specific resources provided by the directors and the importance of the resources to the firm's two phases.

4.-FINDINGS

The aggregated data on the size and composition of the boards of directors are summarised in table 5. Regarding the size, the results show a tendency to maintain the number of members in the board once the company is privatised.

INSERT TABLE 5 ABOUT HERE

The data on the size and composition of the board for each company and year are summarised in tables 6, 7 and 8, in which the year that the company was privatised is marked as 0, negative signs refer to the years prior to privatisation and positive signs correspond to the

years after privatisation. As can be observed, an irregular evolution occurs in the changes undertaken in the size and composition of the boards.

INSERT TABLE 6 ABOUT HERE

INSERT TABLE 7 ABOUT HERE

INSERT TABLE 8 ABOUT HERE

If we observe table 6, the results for Endesa show changes in the size of the board of directors. In particular, there was a clear increase in the years before privatisation, when the board's size ranged from 9 members to 17, whereas 14-15 members were present after the privatisation. As for the second company, Iberia, table 7 shows a slight decrease in the size of the board of directors after privatisation, from 13 to 12. Finally, at Repsol (table 8), the changes in board size in the pre-privatisation period are similar to those occurring at Endesa, showing an increase in the number of directors in the years before privatisation (from 12 to 15). Nevertheless, after privatisation, the firm presents the opposite tendency: the number of directors decreases from 15 to 12. Therefore, the results seem not to show a clear relationship between the number of directors and pre and post privatisation period of the companies.

Regarding board composition, the aggregated results show few changes in relation to inside and outside directors. Outsiders range from 86% to 88% once the company is privatised (table 5). Individual data show a decrease in the percentage of outsiders at Iberia (from 92% to 85% after privatisation) and an increase at Repsol (from 78% to 93%), whereas at Endesa, the ratio remains constant in both periods (88% to 86%). Therefore, there is no clear relationship between the presence of outsiders and the public and private phases of the firms.

Once analysed board size and composition –in terms of inside/outside directors– we perform an in-depth analysis about the changes in the director profiles and the resources provided by each director’s type before and after privatisation.

Business Experts.

The aggregated data showed a clear tendency toward an increase in the number of business experts after privatisation (from 32% to 55%).

The analysis of the questionnaire responses and the interviews reveals the utility of the counsel and advice provided by the business experts after privatisation (table 9, item 1). These results were supported with a Wilcoxon non-parametric test (Siegel and Castellan, 1988), which showed statistically significant differences ($p\text{-value}=.004$) between scores for advice and counsel provided by board members about business management and internal firm operations before and after privatisation. According to the information gathered in the interviews, the resources provided by this type of director gain relevance after privatisation because it is then that firms make important decisions on investment, diversification and alliances with the objective of expanding their business nationally and internationally.

INSERT TABLE 9 ABOUT HERE

In line with these arguments, one of the interviewed chairmen said that, “...*the counsel and advice provided by directors who are experts in business gain more importance after privatisation. Their training and background give a better definition of business management and then, they improve the position of the firm in the market*”.

The evidence obtained through the analysed documentation shows a greater need for the counsel and advice of this type of director on business management in our three case studies. For example, the Endesa results show a clear increase in business experts after privatisation, with percentages ranging from 11% to 29% before privatisation and increasing up to 47%-50% once the privatisation was completed. An increase in business experts could be a logical

consequence of the new business orientation taken by the firm once its ownership goes into private hands.

Iberia shows a similar evolution in business experts if we compare Iberia and Endesa. The presence of business experts doubles once the company becomes private (from 28% to 58%). At the beginning of 1997, Iberia initiated a group management plan that defined the strategic decisions required by the forthcoming privatisation. This plan implied the development of a management model in which each company division would be independently profitable. In 2000, Iberia initiated a new management plan, which was in force until 2003. This plan mainly focused on the consolidation of the company in the market and the improvement of financial and operating profitability ratios to achieve better shareholder value. Iberia increased its European and worldwide air routes. The company improved its competitive position in Europe (market share 34.5%) and maintained its leadership in the domestic market (market share, 70.4%) and in intercontinental air traffic (market share, 15.1% in Europe and Latin American air traffic, where the company was the market leader with a market share of 44.5% in Spain-Latin America air traffic).

Regarding Repsol, the number of business experts also increases after privatisation from a minimum value of 33% before privatisation to a minimum value of 54% after privatisation. As it did for Endesa and Iberia, the privatisation of Repsol meant a change in the management of business within the company. After privatisation, the company adopted a strategy of international expansion without precedent. Repsol's strategic priority was to initiate the firm's expansion in Latin America as a worldwide energy company. Therefore, the entry of private shareholders promoted the internationalisation of the company—specifically in Latin America—greater diversification in its activities and the increase of petroleum production and oil exploration. In 1999, when the company acquired YPF, Repsol became the largest private energy company in Spain and Latin America. This international expansion was reflected in the firm's results. Specifically, in 1999, 55% of the operational income came from abroad.

In sum, we can observe that in the three analysed companies, a business reorientation occurred after privatisation and more attention was paid to customers and markets and to recruiting directors with knowledge of business management and decision-making.

In addition to counsel and advice in business management, another resource provided by business experts consists of facilitating communication channels with other companies (Hillman, et al., 2000). The collected data show that after privatisation the board of directors in our case studies enables more effective communication channels of this type. The results were also supported by a Wilcoxon test (see table 9, item 11), which shows significant differences (p -value=.004). In this sense, one director stated that this type of communication channels improves market analysis, not only in the sector in which the firm is operating but also in other sectors. Sometimes the communication channels were converted into strategic alliances, facilitating the firm's international expansion. Examples of such developments include the business alliance in 2003 between Iberia and British Airways, which led to the companies' later merger, the agreements between British Petroleum (BP) and Repsol on the acquisition of assets in Trinidad and Tobago in 2000, or the agreements between Endesa and Morgan Stanley Dean Witter, the global financial services company, in 2000. In addition, the analysis of the information from the interviews highlighted the key role played by business experts linked with other companies (i.e., interlocking directorates) in establishing agreements and alliances.

Finally, another resource provided by the business experts consists of helping to improve the firm's image and reputation. The analysis of the questionnaire responses (see table 9, items 5, 6 and 7) and the interviews showed the importance of this resource after privatisation.

Support Specialists.

The aggregated results regarding the support specialists show that this director type decreases from an average of 15% to 12% before and after privatisation, respectively. The individual data only show relevant differences at Repsol, whereas the ratio remains almost constant at Endesa and Iberia.

Regarding of the resources provided by support specialists, we observe that the advice of the on matters such as finance and insurance significantly increases after privatisation. A Wilcoxon test supports these differences, showing a p -value of .005 (table 9, item 3). In this connection, certain top managers and directors highlight the importance of these resources

after privatisation and note that firms tend to invest more after privatisation, which leads to an increased presence of specialists to improve profitability.

Additionally, the results show a significant increase in the role played by the support specialists when they facilitate access to resources, (e.g., financial resources) after privatisation. Wilcoxon tests show significant differences in the access to financial (p-value=.002) (table 9, item 8) and other resources (p-value=.003) (table 9, item 9). These differences reveal that when a firm is state-owned, the resources –mainly financial resources– are provided by the government directly or indirectly. However, when a firm is privatised, it must generate its own resources. Therefore, and according to several respondents, the firm should continuously analyse the environment and search for access to every type of resource. In fact, having access to specific resources is sometimes the key to success when a firm establishes a particular strategy.

Related to the counsel and advice in legal issues, although the data show an increase of this resource after privatisation, the differences found before and after privatisation were not significant (table 9, item 2). This fact is corroborated by a Wilcoxon non-parametric test, which supports the null hypothesis of similarity among average scores before and after privatisation (p-value=.317). This outcome reveals that the specialists in legal issues are important both in public and private companies.

Additionally, the level of regulation in the involved sectors does not seem to explain the limited variation found in the need for legal advice and counsel. There is a significant decrease in regulation in the sectors in which Endesa and Repsol operate: electricity (Law 54/1997, regarding the Electricity Industry) and fuel (Law 34/1998 regarding Hydrocarbons). These findings are supported by the Wilcoxon test results, which show a p-value of .043 and .039 for the electricity and fuel sectors, respectively. In contrast, the Wilcoxon test shows no significant differences in both periods (p-value=.285) in the airline sector. This result could be because of the major liberalisation measures implemented during the period 1987-1997, that is, before Iberia's privatisation.

Despite the differences in the deregulation process of the three markets, the importance of legal matters scores highly for both periods (3.73 pre- and 4.06 post-privatisation). There are

several reasons that may explain this high score. First, despite the implementation of the major liberalisation measures after the privatisations, certain activities are still subject to high levels of regulation in the electricity and fuel sectors, as is the case for distribution in the electrical sector and transport in the fuel sector. Second, large companies are often subject to a variety of regulations in fiscal, labour and international affairs, among others. Finally, the international expansion of the companies under examination requires the firms to keep abreast of the legislation applicable in each country.

However, public-relations advice and counsel does not undergo significant changes in the corresponding public and private phases. The Wilcoxon test showed a p-value of .102 (table 9, item 4).

Additionally, privatisation seems to imply a decrease in the number of communication channels to the government and other public agencies (table 9, item 10). These results are corroborated by a Wilcoxon non-parametric test that did not support the null hypothesis of similarity among average scores before and after privatisation (p-value=.002). In the words of one director, *“...When the company was state owned, the board was composed of a big amount of directors linked to the government..., then it allowed the government to ensure its influence and control over the decisions made by the board of directors”*. In fact, decisions used to be jointly taken between SOEs and government agencies because of the public interest in SOE activities. In addition, certain SOE board members were simultaneously politicians and top managers in public agencies, which facilitated communication not only with the government but also with regulatory agencies and other public institutions.

Finally, similar to business experts, support specialists contribute to legitimising the firm and improving its image and reputation. These results corroborate the increase of this type of resources (see table 9, item 5, 6 and 7).

Thus, we may assert that the resources provided by the support specialists are different in the public and private phases. Whereas the communication channels to the government and other public agencies are more important in SOEs, financial and insurance counsel and advice, and the access to financial and other resources become more important in privatised firms.

Community Influentials.

Finally, regarding community influentials, the results show that in the three case studies the presence of directors of this type decreases. This fact may be due to the changes occurred within this director profile.

The analysis of our cases enables us to observe changes in this director profile. The percentages in relation to the last category mentioned are clearly superior in the period in which the company depends on the state. In this connection and following an in-depth longitudinal analysis, there are two important aspects to consider. The first aspect is the large number of politicians included on the boards before privatisation. The second aspect is the increasing number of directors linked to the academic world and representatives of social organisations after privatisation. At Endesa, the number of the community influential directors decreased after privatisation from 57% when the firm was state-owned to 29%. The same tendency appears in the other studied cases: privatisation meant a decrease in community influentials on the Iberia (reduced up to half of them) and Repsol (from 42% to 34%) boards. Nonetheless, once a firm is privatised, the number of politicians decreases significantly, which causes a general reduction of board members who are community influentials.

The communication channels to non-business organisations (institutions, foundations, and others) provided by this type of director do not seem to undergo significant changes if we compare pre- and post-privatisation periods (table 9, item 12). This result is supported by a Wilcoxon test ($p\text{-value}=.785$) and accords with the interview responses, in which a managing director stated, “...*This kind of communication channels offered by directors is very important not only for SOEs but also for private firms. For SOEs, because of political reasons and general interests of the citizenship, while for privatised companies, communication channels are more oriented to the improvement of the public image of the firm....*”. Additionally, the communication channels to other social groups (table 9, item 13) offered by this type of director do not undergo any relevant changes after privatisation (Wilcoxon test, $p\text{-value}=.129$). Moreover, we note the high scores of the resources obtained pre- and post-privatisation.

Finally, the results of the interviews and questionnaires show that privatisation involves using the reputation and prestige of the directors to legitimise the firm. These results are corroborated by a Wilcoxon test that does not support the null hypothesis of similarity among average scores before and after privatisation. Table 9 (items 5, 6 and 7) shows the results of the Wilcoxon non-parametric test for each of the three items related to this resource (prestige and reputation; legitimacy; image of the firm).

Generally, the findings related to the legitimacy, reputation and image of the firm reveal that regardless of director profile, privatisation requires that the directors contribute to legitimising the firm and improving its image. In the words of a company chairman, “...*Regardless the profile of directors, when the firm includes a new top manager or a director, it is because there is certainty about their professional reputation and a positive public image...., this is vital for the influence on the image and reputation of the firm...*”

5.-CONCLUSIONS

The data analysis performed in our study enables us reflect on how firms modify the structure and composition their boards of directors to obtain necessary resources.

In sum, our findings show the limitations of the traditional variables, such as the size (Goodstein et al., 1994; Provan, 1980) and composition (in terms of insiders and outsiders) of the board of directors (Dalton et al., 1999). These variables have been traditionally used in the resource dependence theory to identify the ability of the board of directors to provide resources to the organisation. We identify the need for an in-depth study of the specific role played by each director as a resource provider that analyses not only the variety of director profiles but also the specific resource provided in different contexts.

Regarding the board's size, the data do not show a tendency of the number of board members to increase after privatisation. Other factors could better explain this function. A possible explanation would be that companies might require following the principles of good governance, for which large boards may be inappropriate. For example, a higher number of the directors results in less effective the board participation in strategic decision-making

(Judge and Zeithaml, 1992) and more frequent confrontation among members (O'Reilly, Caldwell and Barnett, 1989).

As for the changes in the board's composition, the traditional classification of directors as insiders and outsiders presents difficulties in understanding the role of directors as resource providers. Previous studies using this classification relate the presence of outside directors with a board's ability to provide resources to a company (see Peng 2004). From this viewpoint, the analysed companies should present a clear increase of outside directors after privatisation. Unexpectedly, the results do not reflect significant variation, which leads us to think that after privatisation, the board's ability to provide resources does not change. However, an in-depth analysis considering the diversity of the director profiles shows variation in the types of resource provided by the board before and after privatisation. These findings lead us to the conclusion that neither board size nor composition—in terms of insiders and outsiders—are determinants for the capacity of the board to provide resources to the firm.

The data show that companies increase the number of business experts as a consequence of privatisation. A possible explanation of this increase lies in the differences that characterise SOEs and privatised companies as perceived from a business management standpoint. In general, directors at SOEs do not have complete freedom of action in relation to strategic activities (Cragg and Dyck, 1999) because they are constrained by bureaucratic control. Additionally, they have less freedom to influence recruitment, the choice of providers, the price of products or services, financing or company expansion (Cragg and Dyck, 2000). Moreover, action taken within SOEs is politically and geographically restricted. In contrast, a privatised company can expand the scope of its activity and geographical markets. Therefore, it can benefit from the opportunities originating in the environment, exploit them and develop new resources and capabilities (Penrose, 1959). Such companies evolve from an orientation towards production and the agents' interests to being oriented toward the market and customers (Cuervo, 1997). Communication channels between firms, provided by business experts, are more relevant after privatisation. These communication channels can be relevant to a company once it is privatised because they facilitate access to information about decision-making in other firms (Pfeffer, 1991) and about market conditions (Useem, 1984). These

changes explain the large increase in this director type once a company goes into private hands.

Related to the support specialists, this study shows that such type of directors is equally relevant in SOEs and privatised companies. A detailed analysis of individual cases reveals that the specialisation of the directors and the resources they provide change. In this regard, whereas financial and insurance advice and counsel, and access to resources—financial and other—are more important in privatised firms, communication channels to the government and other public agencies are more important in SOEs.

Our results also show a clear decrease in the third director type—the community influentials—after privatisation. The reason may be that political representatives play a crucial role in this group. When companies are state-owned, political leaders are clearly relevant. However, after privatisation, they are no longer necessary. Therefore, the tendency may be to reduce the size of this particular group. Nonetheless, there is an increase in the board members who are leaders of social organisations and university representatives. Recent studies have pointed out the specific role played by directors who do not come from the business world, such as politicians (Agrawal and Knoeber 2001) or academics (Maher and Munro 2000).

Additionally, the communication channels provided by community influentials to non-business organisations (institutions, foundations) and other social groups are equally important in the public and private phases of a firm.

Finally, in our cases, despite the different behaviour at the level of regulation and competition in the sectors analysed, the new ownership after privatisation seems to be the key to explaining the changes that occur in board-member profiles and the resources provided during each phase of the firms.

This research has certain limitations. One limitation is related to its method: multiple case studies. We cannot extrapolate the obtained results to other firms without examining further cases and sectors that confirm our results. Additionally, we cannot overlook that resource provision is one of the functions assigned to boards of directors. However, a holistic study is

required to understand how boards simultaneously fulfil other duties (monitoring and strategy).

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TABLE 1.
Typology of director and provision of resources

Director category label	Types of directors in category	Resources provided
Business experts	Directors and executives in big companies with profit making aims.	Knowledge and expertise on decision making and problem solving for large firms; Channels of communication between firms; Legitimacy.
Support specialists	Lawyers, bankers, insurance representatives and public relations experts.	Specialized expertise on law, banking, insurance and public relations; Access to vital resources; Channels of communication to government agencies; Legitimacy.
Community influentials	Political leaders, university faculty and leaders in social organizations.	Channels of communication to non-business organizations; Channels of communication to other stakeholders; Legitimacy.

Source: adapted from Hillman et al. 2000

TABLE 2.
Main characteristics of firms analysed

	Endesa	Iberia	Repsol-Ypf
Sector	Electrical	Airline	Fuel
Year of complete privatisation	1998	2001	1997
Times of privatisation, percentage sold, and privatisation method	1988:(20.4%) Public Offering (PO) 1994:(8.7%)PO 1997:(25%)PO 1998:(33%)PO 1998:(8.19%) Capital Reduction (CR)	1999:(10%)Direct Sale (DS) 1999:(30%)DS 2001:(48.51%)PO	1989:(4.2%)DS 1989:(26.4%)PO 1989:(2.9%)DS 1992:(2.1%)DS 1992:(10%)Bond Issue (BI) 1993:(13.3%)PO 1993:(0.6%)BI 1994:(0.1%)BI 1995:(19.4%)PO 1996:(11%)PO 1997:(10%)PO
Major shareholders	Caixa (5%); Caja Madrid (5%); BSCH (3%); BBVA (3%);	NEWCO (10%); Caja Madrid (10%); BBVA (7.3%); Logista Aeroportuaria, S.A (6.7%); Corte Inglés (3%); Ahorro Corporación S.A (3%).	Caixa (5%); BBVA (7%); PEMEX (5%).

Company size (year complete privatisation)			
Sales (in millions of euros)	6,836.5	4,581	19,287.2
Employees	19,479	27,523	21,440
Profits (in millions of euros)	1,097.2	29.4	757.9

TABLE 3.
Interviews

	Endesa	Iberia	Repsol	Total
Directors	7	6	5	18
Managers	7	3	2	12
Total	14	9	7	30

TABLE 4.
Resources provided by directors.

Counsel and advice	Counsel and advice on business management (decision making, competitive environments...).
	Counsel and advice on legal issues
	Counsel and advice on specific issues (financial, insurance...).
	Counsel and advice on public relations issues.
Legitimacy/public image of the firm	Contribute to prestige and reputation of the firm.
	Contribute to legitimate the firm.
	Contribute to improve the image of the firm.
Access to resources	Facilitate the access to financial resources.
	Facilitate the access to other resources (different from financial ones).
External relationships	Provide communications channels with the government and other public agencies.
	Provide communications channels with other firms.
	Provide communications channels with non-business organizations (associations, foundations)
	Provide communications channels with other social groups.

TABLE 5.
Composition of the board of directors before and after privatisation.

	Endesa		Iberia		Repsol		Mean	
	Before	After	Before	After	Before	After	Before	After
Size of the board	13.3	14.6	12.8	11.8	14.6	14.2	13.6	13.5
Inside directors (%)	12	14	8	15	22	7	14	12
Outside directors (%)	88	86	92	85	78	93	86	88
Business experts (%)	21	48	28	58	46	60	32	55
Support specialists (%)	22	23	10	8	13	5	15	12
Community influentials (%)	57	29	62	34	42	34	54	32

TABLE 6.
Typology of directors in Endesa.
YEAR

	-3	-2	-1	0	+1	+2	+3	+4	+5
Business experts (1)	1	4	4	7	7	7	7	7	7
Support specialists (2)	2	3	4	6	5	3	3	3	3
Community influentials (3)	6	7	9	2	3	5	5	4	4
TOTAL DIRECTORS	9	14	17	15	15	15	15	14	14
Insiders	1	2	2	2	2	2	2	2	2
Outsiders	8	12	15	13	13	13	13	12	12
Business experts (%)	11	29	24	47	47	47	47	50	50
Support specialists (%)	22	21	24	40	33	20	20	21	21
Community influentials (%)	67	50	53	13	20	33	33	29	29

Note: business experts are codified as "1", support specialists are codified as "2" and community influentials as "3".

TABLE 7.
Typology of directors in Iberia.

	<i>YEAR</i>										
	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5
Business experts (1)	3	4	3	3	5	7	7	7	7	7	6
Support specialists (2)	1	1	1	1	2	1	1	1	1	1	1
Community influentials (3)	9	8	9	9	5	4	4	4	4	4	4
TOTAL DIRECTORS	13	13	13	13	12	12	12	12	12	12	11
Insiders	1	1	1	1	1	2	2	2	2	2	1
Outsiders	12	12	12	12	11	10	10	10	10	10	10
Business experts (%)	23	31	23	23	42	58	58	58	58	58	55
Support specialists (%)	8	8	8	8	17	8	8	8	8	8	9
Community influentials (%)	69	62	69	69	42	33	33	33	33	33	36

Note: business experts are codified as "1", support specialists are codified as "2" and community influentials as "3".

TABLE 8.
Typology of directors in Repsol.

	<i>YEAR</i>										
	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5
Business experts (1)	4	5	7	8	10	10	10	10	9	7	7
Support specialists (2)	2	2	2	2	1	1	1	1	1	1	0
Community influentials (3)	6	7	7	6	4	5	4	5	5	5	5
TOTAL DIRECTORS	12	14	16	16	15	16	15	16	15	13	12
Insiders	3	4	4	4	1	1	1	1	1	1	1
Outsiders	9	10	12	12	14	15	14	15	14	12	11
Business experts (%)	33	36	44	50	67	63	67	63	60	54	58
Support specialists (%)	17	14	13	13	7	6	7	6	7	8	0
Community influentials (%)	50	50	44	38	27	31	27	31	33	38	42

Note: business experts are codified as "1", support specialists are codified as "2" and community influentials as "3".

TABLE 9.
Provided resources by the board of directors before and after privatisation.

			Before	After	Wilcox. Test
Item 1	(1)	Counsel and advice on business management (decision making, competitive environments...).	2.92 (1.093)	4.59 (.507)	p=.004
Item 2	(2)	Counsel and advice on legal issues	3.73 (.724)	4.06 (.827)	p=.317
Item 3	(2)	Counsel and advice on specific issues (financial, insurance...).	2.69 (.788)	4.29 (.772)	p=.005
Item 4	(2)	Counsel and advice on public relations issues.	3.31 (.679)	3.82 (.809)	p=.102
Item 5	(1) (2) (3)	Contribute to prestige and reputation of the firm.	2.92 (.845)	4.53 (.624)	p=.003
Item 6	(1) (2) (3)	Contribute to legitimate the firm.	3.23 (.652)	4.18 (.809)	p=.013
Item 7	(1) (2) (3)	Contribute to improve the image of the firm.	2.88 (.653)	4.29 (.772)	p=.002
Item 8	(2)	Facilitate the access to financial resources.	1.88 (.588)	3.53 (1.125)	p=.002
Item 9	(2)	Facilitate the access to other resources (different from financial ones).	2.38 (.637)	4.00 (1.225)	p=.003
Item 10	(2)	Provide communications channels with the government and other public agencies.	4.81 (.567)	2.71 (.772)	p=.002
Item 11	(1)	Provide communications channels with other firms.	2.81 (.801)	4.29 (1.047)	p=.004
Item 12	(3)	Provide communications channels with non-business organizations (associations, foundations)	3.50 (.510)	3.94 (.966)	p=.785
Item 13	(3)	Provide communications channels with other social groups.	3.46 (.859)	4.06 (.748)	p=.129

(1) business experts; (2) support specialists; (3) community influentials