Boards of directors and corporate governance debates have been highly focused in the business press and even in research, but few universities offer courses on these topics. In this paper a research and teaching model is introduced, and we will show some examples of how such courses may be designed and how they relate to research. Examples are given for executive courses, undergraduate courses and graduate courses. The paper concludes by presenting the second international doctoral course on governance in SMEs. The presentation will encourage a dissemination of experiences among the presenters and the audience about experiences in teaching boards of directors and corporate governance.

1. Introduction

Boards of directors and corporate governance issues have recently received considerable attention in the business world as well as in academic research publications. The number of scholarly contributions has increased rapidly. But still, in 1992, Andrew Pettigrew wrote that the work of directors, in and out of the boardroom, is rated as the most under researched management topics. “The study of boards and their directors must rank near the top of any management scholar’s list of priority areas for the 1990s.” However, limited academic training has been offered, and as late as in 1995 Monks and Minow presented what their publishers called the first textbook on corporate governance and boards of directors.

Corporate governance definitions vary somewhat depending on the discipline where the definition is used. In general and very broad terms, corporate governance deals with how external stakeholders, internal stakeholders and the board of directors contribute in directing an enterprise (Cadbury 1992, Monks and Minow 1995). The role of shareholders as external stakeholders has received the most attention in the discussion in the finance literature on corporate governance in large corporations. Core questions have been related to the independence of the board members, and the board’s role as a means to control the management of the enterprise on behalf of its shareholders. The debate among business executives in small and medium sized enterprises has had a tendency to focus on the competency of the board members, and the board’s role as a resource for the enterprise.
There are various definitions of small and medium sized enterprises. No single definition was applied to the course, but in addition to size considerations, logic related to entrepreneurial firms, family firms, venture capital backed firms and high tech firms were applied.

University courses about boards of directors have in the 1990s been rare, but the importance of such courses at various levels and with various purposes is now being recognized. At Halmstad University annual regular courses on boards in a master of science level program in strategy have been arranged since 1997, and a doctoral course was the natural follow up of the focus the University of Halmstad has had on corporate governance in SMEs.

The rest of the paper has four sections. First follows the presentation of a research and teaching model, then comes a section where challenges in teaching the field is discussed. The two final sections are devoted to the international doctoral course on corporate governance in SMEs given at the University of Halmstad the spring 2000. They contain a course description and a presentation of the research results coming out of the course graduation. The paper has an appendix presenting details of the course curriculum.

2. A research and teaching model

In this paper we use the following definition of corporate governance: “Corporate governance is interactions external and internal stakeholders and the board of directors in directing an enterprise”. This is a very broad definition that also includes governance of other enterprises than large private business corporations.

The enterprise or company may have various attributes (Huse 2000). Size is one such attribute. The life cycle phase of the enterprise, ownership, type of enterprise and industry of the enterprise are other attributes. There are also contingencies such as geographical location. Corporate governance may vary depending on national constituencies and geographical variations in the markets for corporate control (Monks and Minow 1995).

It is important to understand the stakeholder map of an enterprise to understand the role of the board and corporate governance. Who are the owners of an enterprise, what are their attributes, and what are the relationships between them? What is the relationship between majority and minority owners? What are the roles of various kinds of institutional investors and risk capitalists? External stakeholders in an enterprise are more than shareholders with their voting rights. External stakeholders may be defined as equity, economic and environmental stakeholders. The role of the various groups of stakeholders are often discussed in distinct disciplines as finance, marketing and political science, and in theory their power are based on voting rights, economy and politics respectively (Freeman 1984). Practice shows, however, that the boarders between the various kinds of power are not clear (Huse and Eide 1996).

Internal stakeholders are most often referred to as the CEO and the top management team. Who are they, what are their characteristics and what are their internal and external formal and informal relationships? The families and friends of the top management team may also be classified as internal stakeholders as well as employees. Employees may have various kinds and degrees of independence to the CEO and the top management teams, but in many ways their interests may also be aligned.
Attributes of the enterprise and of the external and internal stakeholders are exemplified in figure 1 that presents a research and teaching model of boards and corporate governance. The model is derived from Huse (2000).

A main issue in some of the theories used in the corporate governance debate is that internal stakeholders have interests that vary from the interests of the external stakeholders, and that individuals may behave opportunistically (Jensen and Meckling 1976). Various stakeholders may have different expectations to the performance of the enterprise. An enterprise is expected to create value, but value creation is not an objective measure. A core question is who the enterprise is creating value for. This question is highly related to ethical considerations. Furthermore, enterprise or company performance may be considered as a predictor, result or as a mediator in the model. And decisions about strategic directions for the enterprise should also be considered.

The relationships and dynamics between external and internal stakeholders influence and empower the boards of directors through the selection of directors (Huse and Eide 1996; Alderfer 1986), the definitions of board roles or board task performance (Huse 1996, Huse and Rindova 2001) and by influence the boards’ working style (Huse 1998).

Board task performance and board roles have changed over time (Vance 1968), and they may be categorized in various ways. We find listings or categories based on legislation, theories, stakeholder expectations, induction, etc. Zahra and Pearce (1989) gives a good overview of how various disciplines emphasize various board roles. The most common distinction is between the board’s control roles and service roles. The strategy roles and resource dependence roles are by many treated as general categories, but more specific board roles as networking, lobbying, legitimating, advising, influencing, ratifying, being a sounding board, etc may also identified. Some studies and books also present the board’s roles in various business functions as finance, operations, human resources, markets, product development, etc. How and to what degrees the various board roles are performed are expected to vary with attributes of the enterprise. The boards’ service roles are for instance expected to be more important in small firms than in large corporations, and the boards’ control roles are expected to be emphasized more in venture capital backed firms than in other small firms.

How many board members should an enterprise have, and who should they be? Who should be the board chairperson, and should the CEO and the top management team have seats on the boards? What is an outside director, an independent director, a professional director, a competent director or a minority director? What are the implications of having them on the boards, and when is a board an outside board, an independent board, a professional board, a competent board or a diverse board? What is the impact of women directors? How and why are they recruited? What is the process for recruiting directors, and what motivates directors to sit versus work on boards? What kinds of incentives schemes should be designed, and how important are monetary incentives. These and related issues should be addressed to understand the role of board composition and in selecting board members.

The board’s working style consists of the board’s working structure and processes inside and outside the boardroom. Various stakeholders are now displaying an increased interest in the working styles of boards. Corporate legislatures in some countries are increasingly requiring formalizations of board structures. One reason for this requirement is to promote the role and
impact of minority directors and in particular employee representatives. Institutional investors are also becoming more active on corporate assembly meetings and require increasingly that the boards in annual reports present and account for their activities and working structures. The board’s working structures include the leadership and organization of the board, including CEO and board instructions. Also included are the frequency, location, time, form, agenda, voting rules, and protocols of board meeting. Preparations and formal evaluations are often also included.

Board members and the board as a whole are influenced various processes including alliances, power, trust and feelings. And the board members are not living in a closed room. This implies at the board members, and thus the whole board, are influenced not only by the processes among the various board members or between the board members and internal stakeholder, but also by interactions each individual have with a broad set of stakeholders (Huse 1998). This empowers external stakeholders not being directly represented on boards with voting rights to influence the boards’ decision making.

3. Teaching corporate governance

The teaching issues presented above may be taught at different levels: the practical how-to-perform level, the general educative level and the research oriented level. The various levels will have different audiences, and teaching must be designed accordingly. How courses and teaching at various levels may be designed, are displayed in table 1.

Table 1 General types

<table>
<thead>
<tr>
<th>Audience</th>
<th>Objectives</th>
<th>Organizers</th>
<th>Curriculums and readings</th>
<th>Research contributions</th>
<th>Scandinavian examples</th>
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<tbody>
<tr>
<td>Executives</td>
<td>Practical</td>
<td>Consultants, professional organizations</td>
<td>Handbooks</td>
<td>Sharing of experiences</td>
<td>Consultants, etc Professional associations Agencies</td>
</tr>
<tr>
<td>Undergraduate students</td>
<td>General educative</td>
<td>Teaching colleges</td>
<td>Textbooks</td>
<td>Dissemination</td>
<td>Courses in finance, accounting, entrepreneurship, strategy, etc</td>
</tr>
<tr>
<td>Graduate students</td>
<td>Research oriented</td>
<td>Universities</td>
<td>Research publications</td>
<td>Collecting and analyzing data</td>
<td>Master courses Doctoral courses</td>
</tr>
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</table>

The table presents general types, but these types may also be combined, e.g. in executive MBA programs or in educational or certification programs offered or initiated by professional associations. We will here give some input to how courses may be developed for various audiences at different academic levels, and how research and teaching in the area may be intertwined. This section presents teaching at each of these levels plus teaching where several levels are combined.

Who need to know about boards of directors and corporate governance in SMEs?
Traditionally knowledge about boards of directors has been considered to be something relevant just for the inner circle of business executives, the members of the “old boys network”. They were chosen as directors because they were expected to know the rules of the game (Whisler 1984), and thus there were no need for them to follow any learning program.
There has, however, been a growing recognition that issues related to corporate governance and the role and work of board of directors is something that have to be learnt. Based on considerable recent evidence of poor board performances even national associations of corporate directors, e.g. StyreAkademiet in Norway, have included this learning perspective in their objectives. But who need to know? The immediate answer has been all present and potential directors. Women and union directors have in particular displayed an interest to learn. They have not been members of the traditional old boys network and have felt a need to learn and to display that they are knowledgeable about the rules of the game. Included in the list of potential directors are also management student. Some of them will fast climb the corporate ladders and be exposed to boards. Others, and especially students majoring in entrepreneurship related issues, will start their own businesses and thus be involved in boards. There are also management students coming from families having family businesses, and when exposing interest and knowledge about board issues, they will fast get into board positions in the family business. Finally, boards are also important also in voluntary organizations or not-for-profit organizations. Men and women of all ages are involved in the governance of them. Present and potential board members will have a need for practical knowledge and understand of how boards are working and their charges.

The need of knowledge about boards and corporate governance goes beyond present and potential directors. Detailed knowledge is also needed of persons in some way or another relate to or evaluate boards or company performance. These may be consultants in private and governmental agencies, bank officers providing financing, etc. Employees in general and society at large also need knowledge about corporate governance issues. This is highly demonstrated in the frequent headlines in the business press in various countries in recent years.

**Practitioners’ seminars and executive courses**

In-house or open seminars for board members have been arranged for several years, but the extent and the content of them has increased significantly. So has also the number of actors organizing such seminars or courses. The audience and content of the seminars are ranging from practical courses for non-experienced directors to executive MBAs and top management training. Course materials and handbooks for directors are consequently also mushrooming. One of the motivations to participate in executive seminars about boards is their impact on network building.

The main actors organizing such seminars or courses are national associations of corporate directors and other profession organizations, consultants making a living of it, and various business and industry development agencies. Academic scholars and universities have also entered this scene.

National associations of corporate directors are started and growing in many countries. Examples of such associations are the IoD in England, NACD in USA, StyrelseAkademi in Sweden and StyreAkademiet in Norway. This phenomenon is an indication of the development of a profession of board members. Main roles of a professional organization are to guard the skills and ethical standards of the members of the profession, to improve and protect the reputation of the members of the profession, and to help the profession develop in a desired direction. These objectives may be achieved by developing teaching programs and seminars, offering ethical guidelines, regulating the entrance to the profession, etc. Some national associations are offering various kinds of certifications for board members to help
raise the quality of its members. Such certificates are usually issued to candidates having followed certain training or course programs. Several organizations for other professions also offer their members seminars and courses on corporate governance and boards of directors. Included in this latter group are employers associations and employee unions.

Many management consultants are developing their product portfolio to include boardroom consulting products. Main actors are the auditing companies as PriceWaterhouseCoopers, Ernst & Young, etc. Some of these firms even conduct large surveys as input to their efforts. Among other large international consulting firms we find Korn/Ferry Int with their board audits. Law firms have also been actively involved with boards for a longer period. Even universities have entered this marketplace. The number of minor consulting firms and individual consultants devoting efforts to organizing board seminars, boardroom consulting and board memberships are also growing fast. Executive training on a graduate level are commented below.

There are also various public and private development agencies supporting or arranging educative efforts on corporate governance and boards of directors. Examples are found among regional development agencies, industry agencies and even agencies supporting women rights.

Most of the training offered at the executive level uses a “handbook-approach”, but there are exceptions where conceptual clarifications are emphasized. Executive seminars contribute in accumulating knowledge about the field. There are several examples of how researchers or other authors are leaning on the experiences from such seminars in collecting data and information about actual boardroom behavior and board members’ incentives.

**Undergraduate courses**

While handbooks are main sources in executive course on boards, textbooks and book chapters are main sources in undergraduate courses in the field. Even though boards of directors and corporate governance are issues that should be important in many business disciplines, till very recently almost no textbooks for business schools contained anything about boards of directors at all. Textbooks in corporate law are exceptions. The lack of attention to boards in these textbooks may serve as indications of the attention given to the topic on curriculums and in undergraduate teaching. Classes on boards of directors and corporate governance have hardly been given to undergraduate students in management disciplines, strategy, organization, entrepreneurship, accounting or finance.

However, exceptions exist and things are changing rapidly. Executives have been used as guest lecturers teaching board related topics, some universities having faculty doing board of directors research have introduced the topics in their teaching, and some universities and colleges have organized undergraduate courses directed to potential and present board members. An indicator of the change in attitudes on teaching undergraduate courses on boards is the developing sales figures of a Norwegian textbook (Huse 1995). But for courses held by the author, the book was hardly sold the first few years after publishing, but during 1999 and 2000 the textbook have had a considerable sales increase to students at various colleges or universities.

One of the research contributions the increased attention to teaching corporate governance and boards of directors on undergraduate levels is that university and college teachers may switch their research attention also to boards.
Combinations: Executive MBAs, etc
Executive university level programs are designed various places. These programs may vary from classes lasting just few hours in course on strategy or management till full programs devoted solely to boards of directors lasting full years. An example of the latter is the efforts being done at the Norwegian School of Management in Oslo.

Executive MBAs and top management training on boards are also offered various places. Some of the organizers having the highest reputation with their top management seminars are IMD in Switzerland and Henley in England. Very experienced management professors are use doing the training. Some places this training is process oriented implying that the real textbook used is the experiences of the participants.

Some of this training has resulted in seminal research contributions, e.g. the work of Demb and Neubauer (1992) at IMD. Their contributions include conceptual development based on the collection of anecdotes and surveys among students or participants.

Graduate courses
There are universities offering master level courses on corporate governance and boards of directors, e.g. the courses offered for international exchange students at the universities of Lund and Jyväskylä. And classes about boards have been included in doctoral program courses, as for example at the Norwegian School of Management and at Wharton School of Business.

In 1997 the authors of this article started a teaching project at the University of Halmstad. By initiating and teaching graduate courses on boards of directors the university should establish a profile and research platform on corporate governance in SMEs. The University of Halmstad had already reached international recognition in entrepreneurship and small business finance through the work of Hans Landström. Morten Huse that for several years had been teaching courses on boards of directors at Bodø Graduate School of Business, was then invited to teach similar courses in Halmstad with the purpose of recruiting students for research on board issues. The core of the research platform and international positioning of the University of Halmstad should be a result of the combination of the small business finance and board of directors contributions.

The courses in Halmstad and Bodø have been thought as selective courses in master of science programs in management. In total the courses have been thought during ten years and there has each year been 10-30 students following the courses. The basic format of the courses has been 40 hours teaching and three student group assignments. The readings have as a rule been a combination of textbooks and research articles. Some of the teaching has most often been given by business executives working on boards. The student assignments have been integrated into the classroom teaching. The assignments have been interviews with directors, presentations of research articles on assigned topics, and an empirical course paper. Several students have continued writing their master theses on the topics from the course on boards of directors. Huse and Gabrielsson (2002) contains a summary and analysis of one hundred of these student papers. Several articles initiated through the student projects have been published in refereed journals, and the students have also been allowed to penetrate databases on boards collected for other purposes.
Some of the students that wrote their master theses on boards at Halmstad University continued as research assistants, and one of them also continued as a doctoral candidate doing research on boards in SMEs. The spring 2000 Halmstad University organized a doctoral course on corporate governance in SMEs. This course is presented in the next section.

4. Doctoral courses

The first international doctoral course on governance in SMEs was held at Halmstad University/Scandinavian Institute for Research in Entrepreneurship, and organized by professors Morten Huse and Hans Landström. Doctoral candidate Jonas Gabrielsson assisted in organizing. The following professors were lecturing:

- Sven-Olof Collin, University of Lund
- Morten Huse, University of Lund/Halmstad
- Hans Landström, University of Halmstad/Bodö Graduate School of Business
- Bengt Johannisson, Växjö University
- Leif Melin, Jönköping International Business School
- Harry Sapienza, University of South Carolina

The objective of the course was to help the students understand the importance of corporate governance in small and medium sized enterprises, and to explore research opportunities in the area. The students should be introduced to the field and:

- become familiar with issues, concepts and relationships
- become familiar with research, research methods and journals
- become familiar with the researchers/actors in the field

The classes were held in three clusters during the spring of 2000. Between the clusters the students had various assignments. Between the meetings in February and April they should explore and review the state of the art with respect to journal publications of articles of boards in SMEs. Between the classes in April and May they should design and conduct their own research project.

Faculty and doctoral students from various countries were invited to participate. All teaching and examination was held in English. 16 students were accepted to take the course, and 12 of them passed. The students came from Sweden, Italy, Germany and Norway, and were affiliated with six different universities. The participants were evaluated by reviews of journal articles and by writing a research paper using the literature and content of the course.

The second international doctoral course on governance in SMEs will be held during the fall 2002 as a joint venture between Bocconi University (September), University of Lund (October) and the Norwegian School of Management BI (November). This course will in general follow the agenda from the first course, but more corporate governance and strategy professors from Italy and USA will included.
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