

A group of business professionals in a meeting. A woman in a grey blazer is looking at a smartphone. A man in a dark suit is pointing at a tablet. There are coffee cups on the table. The background is a bright office space with windows.

# Visibilizing and managing paradox: Redefining the role of non-executive directors

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# Visibilizing and managing paradox: redefining the role of non-executive directors

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## Abstract

**Purpose** – This paper aims to discuss the work of non-executive directors (NEDs) as inherently paradoxical. Paradox refers to the presence of persistent contradictions between interdependent forces. Those persistent tensions are explored, and approaches are indicated to stimulate the adaptive use of paradoxes as forces of innovation and renewal.

**Design/methodology/approach** – This conceptual approach can be read as an invitation for corporate governance scholars to embrace the logic of paradox to expand the understanding of this topic. Paradox is not conceptualized as an alternative to dominant structural views, including board composition, but as a complementary conceptual perspective, a meta-theoretical lens to shed light on the tensions inherent to governance.

**Findings** – The authors propose that paradox theory offers a fresh conceptual lens to study the role of NEDs. This approach may help NEDs to turn tensions and paradoxes visible to develop a rich understanding of their work, as well as helping them navigate the complexities of organizing, a process rich in inherent paradoxicality.

**Originality/value** – Organizational paradox theory is a burgeoning field of study, but the conceptual lens of paradox has still been underexplored in the study of corporate governance.

**Keywords** Paradox, Corporate governance, Contradiction

**Paper type** Research paper

## Introduction

Emmanuel Faber was removed from his job as CEO and chairman of Danone because of what the board saw as lackluster performance (“chronic underperformance compared with larger rival Nestlé”; Abboud, 2021, p. 6). The reason was an excessive emphasis on social indicators, the board (more specifically, activist shareholders) considered, at the cost of economic indicators (Van Gansbeke, 2021). This imbalance was viewed as the use of progress indicators as a justification for the poor economic results [1]. The case illustrates the paradoxical challenges confronting both executives and non-executives: they need to balance competing demands and manage contradictory expectations. As defended by organizational paradox theory (Smith and Lewis, 2011; Smith and Tracey, 2016), these tensions cannot be resolved, yet they need to be managed. However, managing these tensions, as will be discussed in the article, is a difficult endeavor. The fact that organizations are increasingly confronted with pressures to perform new social and environmental roles imposes new challenges (Henderson, 2021) that are not easy to equilibrate. Organizations are, in short, confronted with paradoxical challenges, i.e. with challenges involving opposite demands that are interdependent and persistent, such as tensions between profit and progress, or tensions of exploration-exploitation (Smith and Lewis, 2011).

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# Purpose and findings

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- We discuss the **work of non-executive directors (NEDs) as inherently paradoxical**. **Paradox** refers to the *presence of persistent contradictions between interdependent forces*. In the case of NEDs, these persistent tensions are explored, and approaches are indicated to stimulate the adaptive use of paradoxes as forces of innovation and renewal.
- Paradox is **not conceptualized as an alternative to dominant structural views**, including board composition, but as a complementary theoretical perspective, a ***meta-theoretical lens to shed light on the tensions inherent to governance***.
- In sum:

We propose that paradox theory offers a **fresh conceptual lens to study the role of non-executive directors**. NEDs may turn tensions and paradoxes visible to develop a rich understanding of their work, as well as to help executives navigating the complexities of organizing, a process rich in inherent paradoxicality.

# Concepts



# Motivation

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- Emmanuel Faber was removed from his job as CEO of Danone because of what the board saw as lackluster performance. The reason was an excessive emphasis on social indicators, the board considered, at the cost of economic indicators (Van Gansbeke, 2021). This imbalance was viewed as the use of progress indicators as a justification for the poor economic results.
- The case illustrates the **paradoxical challenges confronting both executives and non-executives: they need to balance competing demands and manage contradictory expectations.**
- The fact that organizations are increasingly confronted with pressures to perform new social and environmental roles imposes new challenges that are not easy to equilibrate (Henderson, 2021). Organizations are, in short, confronted with paradoxical challenges;
- **Boards view their roles as a service to multiple spheres**, including the profession, the business community and society at large (Boivie, Withers, Graffin & Corley, 2021). **They have an independent role as governance agents with the responsibility to avoid numerous problems afflicting senior executives including lack of control and accountability** (Barber et al., 2019), **hubris** (Brennan & Conroy, 2013), **or groupthink** (Esser, 1998). These and other causes led to corporate scandals that have rendered the importance of boards more salient.

# Motivation

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- Yet, boards have a complex task: **their commitment to profession, community and society coexists with working face to face with the senior executives they oversee. This necessarily creates tension and even some paradoxical obligations**
- organizations need boards precisely to better handle paradoxical decisions: undecidable trade-offs. For such reason, the **role of NEDs is rich in these tensions**. Because of these tensions, scholars have noted that there are doubts about whether non-executive directors can actually perform their “watchdog role” effectively (Hooghiemstra & Van Manen, 2004).
- In fact, non-executive directors constitute a high legal authority, but their role performances have been criticized for passivity and the rubber stamping of managerial decisions. Because factors such as mindsets and power relations may suppress tensions, we ask: ***how can non-executive directors perceive and cope with the paradoxical tensions of their work?***

# NEDs as paradox handlers

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- Paradox refers to the presence of opposites that need to be addressed simultaneously but that include an element of undecidability.
- In face of contradiction several responses are possible, including denial (Jarzabkowski et al., 2013). **When these oppositions persist over time they cannot be solved through splitting and choosing** (Kokshagina & Schneider, 2022). They **have been defined as undecidable trade-off decisions** (Berti & Simpson, 2022).
- Organizational **paradox theory defends that paradoxes are not anomalous contradictions to be solved/removed, but an attribute of complex and plural systems where a variety of interests, languages, experiences, and interpretations coexist** (Berti, Simpson, Cunha & Clegg, 2021; Gaim, Clegg, Cunha & Berti, 2020).
- we respond to this gap to study how board members navigate the tensions inherent to the job. We follow Smith and Lewis' (2011) classification of paradoxes, given their scope and breadth: **paradoxes of belonging, performing, organizing, and learning**.
- **These paradoxes emerge when managers or board members, dealing with the situations they face, including choices between contradictory options, define the scope of coping mechanisms to their organizations. When these decisions entangle with other decisions, contexts may create circular dynamics that limit agency.**

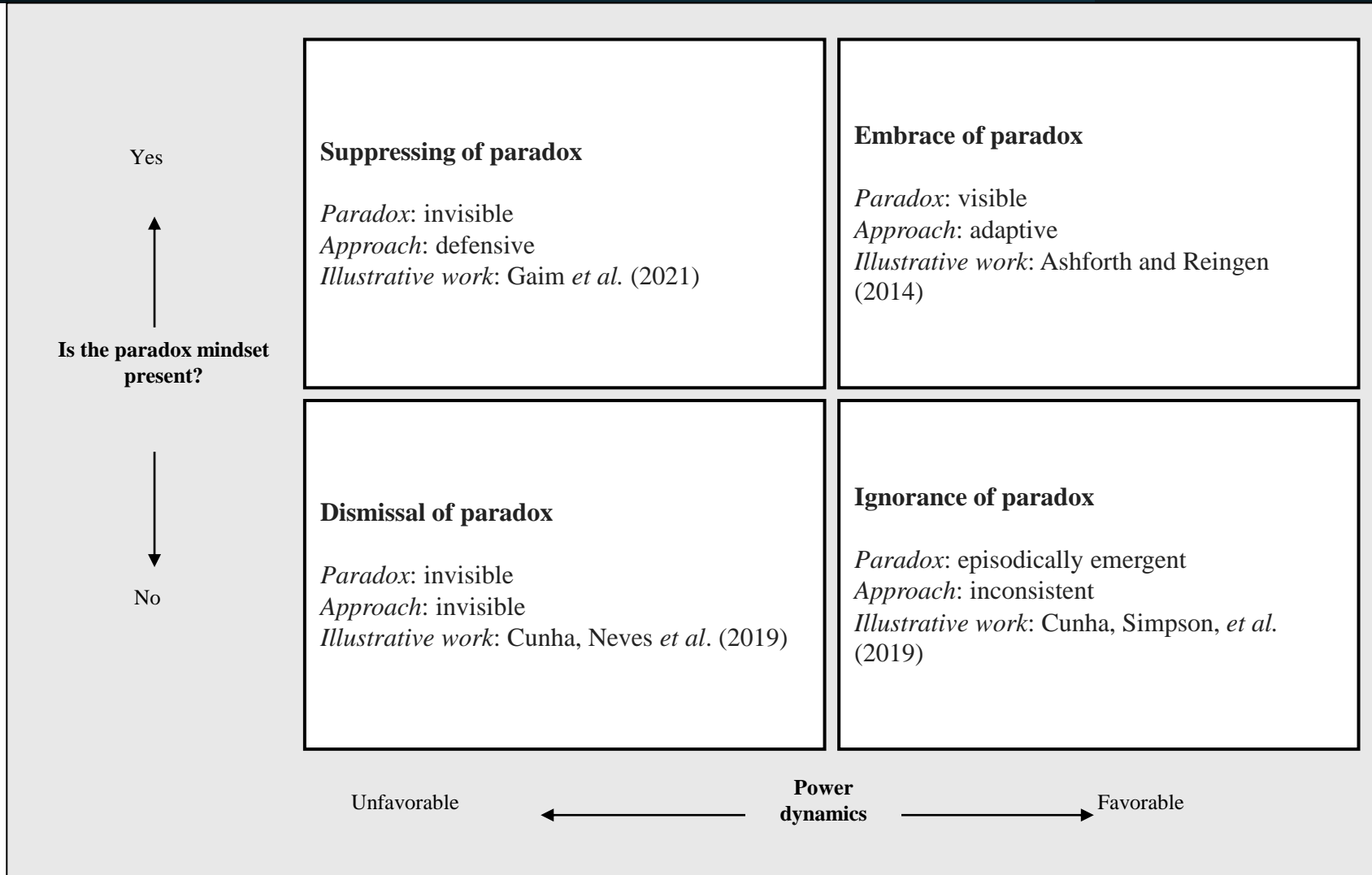


# Response mechanisms

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- **There are two response mechanisms to the experience of paradox** (Berti & Cunha, 2022):
  1. The first, in line with paradox theory, explains why some people respond with flexible/adaptive responses, while other people receive tension with defensive approaches. The difference may lie in the presence of a **paradox mindset** that equips people with the capacity to think about contradictions via “both-anding” (Smith & Lewis, 2022).
  2. The second response mechanism, **power dynamics**, explain why some paradoxes are a source of innovation and dynamic adaptation whereas others cause organizational depletion.
- Power dynamics affect paradox by: (1) allowing the rendering of salient latent tensions or not, (2) enabling or impairing responses to paradox, and (3) shaping strategies to cope with paradox.

# Combination of mindset and power dynamics



# Response mechanisms

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- When key decision makers with a paradox mindset institute power dynamics that allow people to assume contradictions, the organization will be open to render paradoxes salient and treat them as inherent features of organizing that should be addressed as factors of organizational renewal. These organizations embrace paradoxes
- We conceptually defend that the relationship between executives and the board is more fruitful when a cultivated paradox mindset meets power dynamics favorable to voice. In this case, contradictions can be rendered salient and treated as central facets of organizations, namely when observed from different angles. The role of these two groups, in this sense, consists not in dominating the other, but in the articulation of perspectives and conflicting points of view

# Types of paradoxes

# 1. Paradoxes of belonging.

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- **Paradoxes of belonging refer to tensions around identity**, namely between the quest to belong and the need to be unique, or to be interdependent and to be independent (Demb & Neubauer, 1992).
- These tensions are patently manifest in the condition of being a board member: NEDs **work with a company, but their condition is independence. This creates obvious tensions which persist**
- This paradoxical condition, in other words, is inescapable. When the balance fails, the board's effectiveness is imperiled. If they become too close, they lose independence; in case they are excessively independent they can become too distant from the organization's reality

## 2. Paradoxes of performing.

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- Organizations aim to reach their goals and growth is normally a central goal. **To grow, organizations benefit from the presence of clear goals** (Locke & Latham, 1990) but goals come with a price
- They can become so salient that their presence leads to a lesser consideration of important organizational dimensions not captured in the goal system. **Salient goals face NEDs with important challenges.**

*The case of Wells Fargo Community Bank is illustrative: difficult, stretch goals were emphasized to the point that they no longer contained the behavior of organizational members within appropriate ethical boundaries. In this case the parties involved, including internal auditors and board members, were silent about the process NEDs should thus be mindful about the presence of stretch goals as these confront members with paradoxical requirements that are difficult to address and to moderate the organization's ambitions.*

- In terms of the tensions around performance, **NEDs should thus play a dual role: to support the effort to achieve high performance while knowing that excessive pressure in the direction of high performance can be highly destructive.**
- These cases suggest that the core job of NEDs consists in the handling paradoxical tensions and sensitizing executives to the importance of managing with a paradox mindset.



# 3. Paradoxes of organizing

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- **Organizations thus need to empower people, namely their top executives, while knowing that power corrupts and disinhibits** (Guinote, 2007), affecting goal directedness (Slabu & Guinote, 2010). These tensions apply for executives as well as for the rest of the organization.
- **The need to control and to empower is paradoxical**. Corporate governance mechanisms are themselves paradoxical, control mechanisms that are supposed to act with a measure of distance and independence. This puts board members in a liminal design position: betwixt and between.
- NEDs' position in the organization implies a measure of trust because the information they obtain comes from external sources, while at the same time they need to be in touch with the organization's everyday life. An excess of trust is as problematic as the lack of trust.
- NEDs are thus in a **liminal** (boundary) **position**. This explains **why liminality has been associated with ethical lapses** (Cunha, Guimarães-Costa, Rego & Clegg, 2010): the context or the lack of it is important in the sensemaking process. Because NEDs are not embedded in the daily life of the organization they may have interpretive challenges. This is aggravated by the fact that even managers do not have a clear understanding of what happens at the lower organizational levels (Foss & Klein, 2022).

# 4. Paradoxes of learning

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- This is a core challenge for NEDs: **how to conduct their supervisory tasks when there are often difficulties in gaining access to relevant information.** In other words, board members must be independent to conduct their supervisory job, but this work is based on information provided by the senior managers themselves.
- **There is always the fear that, as noted by one participant in Hooghiemstra and Van Manen's study (2004), important decisions are being made without their knowledge.**

# Table 2. Types of paradoxes and their management

Source: Authors own creation

Type of paradox	Pole (illustrative)	Pole (illustrative)	Strategies for navigating paradox	Indicative literature
Belonging paradoxes	Independent	Dependent	NEDS may find a position of interdependence, both avoiding independent avoidance and dependent “coziness”.	Kets de Vries (2011)
Performing paradoxes	High performance	Complacency	NEDS may be alert to stretch goals; cultivate awareness of satisfaction with low performance.	Cunha et al. (2017)
Organizing paradoxes	Control	Freedom	NEDS may find a space of collaborative vigilance – trusting but checking, providing psychological safety with accountability.	Edmondson (2018)
Learning paradoxes	Exploration	Exploitation	NEDS may find a space of ambidexterity where old practices and new coexist.	Luger et al. (2018)

# Strategies to visibilize paradoxes

# strategies

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- why it is potentially advantageous for NEDs to render paradoxes salient in order to take them not as anomalies but as “the job”
- **. We defend that organizations need boards, to a great extent, because not every trade-off decision can be optimized and some decisions imply difficult choices.** Board members are especially important in this regard. NEDs may play a fundamental role in helping executives to manage the tensions and paradoxes of organizing
- To better understand the complexities of their governance, NEDs may explicitly consider their work as paradox
- **By making paradoxes visible, NEDs may be better equipped to nurture a paradoxical mindset, defined as the degree to which people are open to accept and be energized by the presence of tensions** (Miron-Spektor, Ingram, Keller, Smith, & Lewis, 2018).
- To consider how NEDs may address paradox we consider four strategies: (1) Consider the missing pole, (2) Zoom in and out, (3) Cultivate a paradox mindset and (4) Communicate paradoxically with the senior management team.

# Strategy (1): Consider the missing pole

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- **NEDs may render tensions salient by leveraging on polarities.** For instance, if one element is emphasized by the executive team (say, organizational exploitation), NEDs may emphasize the polar opposite, namely exploration.
- This type of **oscillatory move may be important to expand the scope of attention of senior executives.**
- Considering that attention is an important resource (Ocasio, 2011), board members may promote oscillation as a way of nurturing a paradoxical mindset



# Strategy (2): Zoom in and out

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- **Board members may play important roles by zooming in and out, complementing the work of executives and balancing the predominant approach of executives.** If executives tend to zoom in (emphasizing detail), the board may favor zoom out (emphasizing a macroscopic view), and vice versa
- **focusing of the organizational blind spots.** These blind spots may refer both to decision making styles as well as to the definition of strategy. NEDs may counter a tendency to converge, which will normally create less attention to strategy's peripheral (Day & Shoemaker, 2005). Board members may play important roles in terms of stimulating peripheral vision, the exercise of conducting search in areas normally outside the organization's focus of attention

## Strategy (2): Cultivate a paradox mindset.

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- Therefore, **board members may benefit from the development of a paradox mindset as a conceptual and behavioral tool to promote a healthy form of dual attention (to core and periphery).** Organizations may promote comfort with tensions by framing ambiguity and contradiction as normal
- the role of **NEDs may be one of exposing tensions and inviting executives to tackle them,** rather than favoring organizational narrowness built via an increasing emphasis on the dominant logic.

## Strategy (4): *Communicate paradoxically with the senior management team.*

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- Paradoxical communication, understood here as a **communication promotive of a paradoxical understanding of the world, aims to expand awareness of the complexity of the real**. It may try to promote forms of thinking that stimulate senior executives to create organizational cultures geared towards the embrace of opposition as a resource to untap the complexity of the world.
- **The fact that paradoxes are made visible does not mean that they will be easier to address**. Because paradoxes have a dimension of undecidability (Berti & Cunha, 2022), some of these tensions cannot be treated as optimization problems. They impose lose-lose choices that imply the fact that managers should be aware that paradoxes are difficult to manage and to sustained in a dynamically equilibrated form

## Strategies to visibilize and cope paradoxes

Strategy	Explanation	Why is the strategy important	Indicative literature
<b>Considering the missing pole</b>	Because executives often favor one element in a tension over another (e.g. exploitation over exploration), NEDs may deliberately consider the other, missing, pole.	<ul style="list-style-type: none"> <li>To expand the scope of attention of senior executives</li> <li>To help dealing with the important tensions that are often obscured by the propensity of organizations to favor a dominant logic</li> <li>To counter tunnel vision</li> </ul>	Bettis & Prahalad (1995); Raisch et al. (2009)
<b>Zooming in and out</b>	Executives often express a preference for one style over another: some are more comfortable with the detail of zooming in, others with the breadth of zooming out. NEDs may emphasize the least used option, thus providing a counterpoint to predominant CEO and board style.	<ul style="list-style-type: none"> <li>To provide a counterpoint to predominant CEO and board style</li> <li>To conduct search in areas normally outside the organization's (usual) focus of attention</li> <li>To counter a tendency to converge, which will normally create less attention to strategy's peripheral</li> </ul>	Kanter (2011); Nicolini (2009)
<b>Cultivating a paradox mindset</b>	NEDs may promote paradoxical competences via stimulating a <i>both-and</i> way of thinking.	<ul style="list-style-type: none"> <li>To promote a healthy form of dual attention (to core and periphery)</li> <li>To frame the inevitable ambiguity and contradiction as normal</li> <li>To expose tensions and inviting executives to tackle them</li> </ul>	Miron-Spektor et al. (2018); Smith & Lewis (2011)
<b>Communicating paradoxically with the senior management team</b>	NEDs may promote a paradoxical type of communication, oscillating from one pole to another, seeing the strength in weakness and the weakness in strength, for example.	<ul style="list-style-type: none"> <li>To expand awareness of the complexity of the real</li> <li>To be more effective in scanning the periphery</li> <li>To cultivate voice and embrace opposition and polyphony as valuable resources to untapping the complexity of the world</li> </ul>	Bain et al. (2021); Kornberger et al. (2006)

# Implications

# Implications

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- Given pressures for board diversity (Zattoni, Leventis, Van Ees & De Masi, 2022) and the importance of a stakeholder view (Parmar, Freeman, Harrison, Wicks, Purnell & De Colle, 2010), **plurality is becoming more rather than less central in organizational decision making. In addition, the functional may be well beyond the usual management disciplines (e.g., finance, operations or marketing) and include further aspects key to the relationship between the company and their external stakeholders** (Forbes and Milliken, 1999; Alshareef and Sandhu, 2015). For these reasons, **sensitizing board members and executives to the growing importance of paradoxical thinking seems justified**
- that not all paradoxes can be harnessed productively, and that the management of tensions is a delicate exercise: **every attempt to tackle one tension from the perspective of one stakeholder risks opening new tensions with different stakeholders**. As March (1994, p.47) has pointed out, “some of the most obvious mechanisms of adaptation accentuate, rather than reduce, imbalances”.

For example, when the chief of KLM, the Dutch airline, urges travelers to use the train, if possible (Wright & Hollinger, 2022), the suggestion can be perceived as positive by some constituencies (such as environmentalist groups) but negatively by others (including the shareholders), especially if competitors are not embracing the same approach. The fact that collaboration between multiple forms of transportation may be a vision of the future, could help understanding his stance.