

THE EXTERNAL AND INTERNAL INFLUENCES ON THE BOARD OF DIRECTOR'S EXPECTED BEHAVIOURS

AS INFLUÊNCIAS INTERNAS E EXTERNAS NOS COMPORTAMENTOS ESPERADOS DO CONSELHO DE ADMINISTRAÇÃO

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Abstract

This article assesses whether directors' decisions are influenced by external and internal factors to the company. The article explores whether directors' decision-making tendency, measured through their values, is influenced by other factors, specifically their professional experience, the governance rules to which they are subject and

Resumo

Este artigo avalia se as decisões de conselheiros de administração/consultivos são influenciadas por fatores externos e internos a suas empresas. O artigo explora se a tendência decisória dos conselheiros, medida por meio de seus valores, é influenciada por outros fatores, especificamente a sua experiência profissional, as regras de governança a que estão submetidos



must follow, and the size of the companies. A quantitative, applied, descriptive and correlational study was carried out. Data collection instrument was a questionnaire, based on the Schwartz Value Inventory – IVS (1992), applied to a sample of 121 counselors in Brazil. Decisions are significantly influenced by different levels of external constraints, especially in higher conservatism, which represents a restriction of actions and impulses that may violate social norms, as well as acceptance of society's norms and traditions. The article is original in using individual values as an instrument to measure, through a quantitative methodology that encompasses an inventory of values, the decision-making tendencies of directors, mainly because it includes the individual dimension in the decision-making process, escaping from the academic “mainstream” on the results of group work. The importance of directors' personal values cannot be underestimated when it comes to corporate social responsibility and ESG principles. With the study of human values and their influence on decision-making in boards of directors, it is possible to minimize conflicts, facilitate the exchange of ideas and decision-making, and promote sustainability and the generation of organizational value, directly and indirectly mitigating business risks and their social impacts.

Keywords: corporate governance; directors; personal values.

e devem seguir e o porte das empresas em que atuam. Foi realizado um estudo quantitativo, aplicado, descritivo e correlacional. O instrumento de coleta de dados foi um questionário, baseado no inventário de valores de Schwartz – IVS (1992), aplicado a uma amostra de 121 conselheiros no país. Suas decisões são significativamente influenciadas pelos diferentes níveis de exigência externa, especialmente no conservadorismo superior, o que representa uma restrição de ações e impulsos que possam violar normas sociais bem como a aceitação das normas e tradições da sociedade. O artigo é original ao utilizar valores individuais como instrumento para mensurar, por meio de uma metodologia quantitativa que engloba um inventário de valores, as tendências decisórias dos conselheiros, principalmente por incluir a dimensão individual no processo decisório fugindo do “mainstream” acadêmico sobre resultados do trabalho de grupos. A importância dos valores pessoais dos conselheiros não pode ser subestimada no que se refere à responsabilidade social corporativa e aos princípios ASG. Com o estudo dos valores humanos e sua influência nas tomadas de decisão em conselhos de administração é possível minimizar conflitos, facilitar a troca de ideias e a tomada de decisões e promover a sustentabilidade e a geração de valor organizacional, mitigando direta e indiretamente os riscos do negócio e seus impactos sociais.

Palavras-chave: conselheiros; governança corporativa; valores pessoais.

Introduction

Over the last decades corporate governance is gaining more and more importance most of all within the context and importance of ESG values and principles. Notwithstanding this, not even the best governance will save a company if it is in the wrong place, at the wrong time and with the wrong project. However, a good governance increases significantly the chances that companies will be in the right place, at the right time, with the right project and, above all, in a sustainable way.

The Board of Directors (BD) is considered the maximum instance for business decision-making and is of fundamental importance for business performance and for the adoption of best governance practices. Scientific production relative to BD is considered inconclusive and full of gaps due to the difficulty of access to this public, allied to the multiplicity of contextual influences, diverse regulatory and cultural environments, great diversity of property structures and of the social factors that influence the result of group's decisions. The studies of decisions made in boards take into account two main perspectives; in the first, they start from the demographic elements observed (for example the number of board members) and relate these elements with business performance, with the objective of understanding the result of board decisions and, in the second, they start from psychological and social factors that influence the result of group working (consequently on the efficiency of the board), with the objective of understanding how the decisions are built.

In the first perspective, the results are contradictory and in the second, the study of group decisions seems unable to explain completely the functioning of the board given the limited interaction between its members, a result of the restricted number of annual meetings.

The contribution that the board offers the company also appears to be difficult to measure, either because of the time gap existing between the taking of the decision and the results achieved, or because of the mobility itself within the board. The board of directors meets only a few times a year and its contribution can be direct or indirect, in addition, contextual aspects internal and external exercise an influence both on the functioning of the board and on business performance. Whether it be the internal context such as; the company lifecycle, its economic situation or its size; whether it be the external context, such as; the environment, the industry and the regulatory environment. The results indicate that such aspects influence the functions of the board, the board and in the final analysis, the business decisions. The individual dimension of the director (board

member) however, has been very little studied, both in the construction of his or her decisions and in the possible factors that influence such decisions. Recognizing and exploring this research gap is the main motivation of this paper i.e. to bring the individual decisions into sharp focus.

Added to the above considerations, direct observation of the functioning of the board is restricted, either through the difficulty of access to this public, or because of the character, sometimes, strategic of the meetings. Given the challenge of observing directly the behaviour and the decisions of the directors of the board, the individual values arise as a reasonable alternative for the potential measuring of their decisions. Individual values are relatively stable over time and function as a standard of judgment and justify the action. Culture, society and the personality of each individual define its values, the values mould its behaviour and these define the actions of each individual. As they are stable, it is possible to make inferences regarding the behaviour and decisions of the directors based on a knowledge of their personal values

The values can be prioritised according to what the directors consider most important, the strength of the values- expected behaviour relationship can be influenced both by exposure to external factors, such as the normative atmosphere, as by personal factors, such as illness, beliefs and age. The objective of this article is to examine the influence of the external and internal context, corporate governance and company size respectively, on the expected values-behaviours relationship of the directors.

This paper seeks to answer two questions: Are directors' (board members) decisions influenced by the external rules to which companies are exposed? Do some internal characteristics also have an influence in the decision-making process? We use human values as a proxy to measures decision making, since the directors' decisions are of a confidential nature and many are of a confidential nature and long term and therefore difficult to measure.

The objective is to assess whether the Board members' decisions are influenced by external and internal factors to the company. The paper explores whether the decision-making tendency of the board members, measured by means of their values, are influenced by other factors, specifically their professional experience, the rules of governance to which they are subjected and must follow, and to the size of the companies in which they are active

The results point to a significant influence of the external and internal contexts on the values-expected behaviours relationship of the directors, mainly for the higher order value (VOS) conservation and on the motivational types that

characterize collectivism, indicating that the greater acceptance of norms and the restriction on the impulses that may violate them arises, at least in part, from the adoption of better practices of corporate governance and from the size of the company.

This article contributes to the theory of corporate governance, and decision making through the study of the individual values of the directors. Adding the individual dimension to the other two dimensions earlier studied, demographic and the effects of group working in decision making. Additionally, the article contributes to the literature by identifying factors that influence individual and therefore business decisions. Such factors change the expected values-behaviour relationship, indicating that rules and norms emanating from society shape decisions, as well as the type of company where the director is inserted also influences individual decisions

From an executive and market perspective the article also makes a contribution because it uses an instrument that makes it possible to infer about the director's decision-making style. Such knowledge can potentially minimize conflicts, facilitate communication between board members and, as a consequence, increase the prospects for value generation, adequate stakeholder's return, corporate social responsibility and sustainability.

The importance of directors' personal values in the context of corporate governance has a very pragmatic dimension. It is becoming increasingly difficult for corporations to raise the funds they need to allow their proper functioning and investment projects. More and more they may be able to do that in the short term, but, in the long term, raising funds in a sustainable way will only be possible for those corporations whose leaderships are guided by strong and sustainable values. Those values require a strong and sustainable/constructive corporate culture that can only really thrive if the individuals that are part of the top governance structures are guided themselves by constructive personal values. In other words, no values, no money. Although there are numerous challenges to implement proper governance in the context of dysfunctional institutional (legal, political and economic) frameworks that are common to developing nations, especially with regard to the environment and sustainable development, there is also, paradoxically, a significant convergence of interests that combines financial, economic and technological pillars. Evidence of this evolution has been consistent and widespread, to a large extent, they can be organized under the broader concept of ESG (Environment, Governance and Sustainability). Empirical studies have shown that the voluntary disclosure of environmental information by companies

is not motivated by the search for transparency and good corporate governance practices, but in an attempt to increase credibility and improve the corporate image. This is because, increasingly, without alignment with ESG principles, obtaining funding for projects and organizations is becoming increasingly difficult. The use of environmental, social and governance (ESG) ratings has grown in response to increasing investor interest in investing in companies that consider sustainability in the way they are managed. This has led some securities market regulators to become more interested in the activities and business models of these providers.

Also, the rating agencies, which are basic references not only for the validation and feasibility of operations in the global financial and capital markets, but also in the classification of sovereign and corporate risks, already adopt ESG criteria in credit assessment and this appears to be an irreversible trend. On the other hand, from a legal standpoint, the signaling of a lack of effectiveness in law enforcement and/or instability of jurisprudence is perceived to influence the restriction of actions and impulses that may violate social norms.

The research contribution is therefore threefold. First, the contemporary managerial, economic, and social relevance of the theme. Second, this research offers relevant contributions to knowledge by reducing the aforementioned gap and broadening the understanding of the theme from a more comprehensive perspective – an under explored issue in the literature. The proposal originally applied expands on the existing knowledge, by formally relating an inventory of values with external and internal factors to the company. Third, implications for management practice are direct as the functioning of a corporate board is an element of business differentiation and performance.

1 Previous studies and research hypotheses development

For the theoretical review we have explored different databases such as *Web of Science*, *Scopus*, *Proquest*, *Capes Periódicos* among others. In the case of the *Web of Science* and *Scopus* we have also prioritized Q1 and Q2 papers that have been published over the last five years.

One of the concerns of corporate governance is to create an efficient set of mechanisms, of incentives as of monitoring, to ensure that the behaviours are in harmony with the interests of the shareholders and other groups involved (stakeholders). Such mechanisms apply to all types of company, from family companies to those of totally disseminated capital, nevertheless, contextual factors such as capital structure, the regulatory environment, among others,

influence governance practices in each organization (HOSEINI; GERAYLI; VALIYAN, 2019; MANOEL *et al.*, 2018; SILVEIRA, 2010; ALMAGTOME; KHAGHAANY; ÖNCE, 2020). The Board of Directors is the guardian of the corporate objective and of the system of governance, and it falls to it always to decide in favour of the best interests of the organization as a whole. The directors should “protect, value, optimize the long-term return on the investment and seek an equilibrium between the desires of the stakeholders” (IBGC-INSTITUTO BRASILEIRO DE GOVERNANÇA CORPORATIVA, 2015).

The Board was object of several studies, including the relationship between the Chief Executive Officer (CEO) and the board of directors, especially regarding the remuneration of the CEO (KENT; KERCHER; ROUTLEDGE, 2018; ZUBELTZU-JAKA; ÁLVAREZ-ETXEBERRIA; ORTAS, 2020). Other articles related the property structure and the roles of the CEO (WESTPHAL; ZAJAC, 1995; HOPP; WENTZEL; ROSE, 2020), the independence of the board and the decisions of the CEO (JUDGE; DOBBINS, 1995; LOUCA; PETROU; PROCOPIOU, 2020), the performance of the organization and the power of the CEO (DAILY; JOHNSON, 1997; JOSHI; HAMBRICK; KANG, 2021) and the influence of the CEO on the composition of the Board (MAITTLIS, 2004; MALHOTRA; SHEN; ZHU, 2021). When we know the personal values, it is possible to forecast the behaviour and the decisions of an individual, this relationship being defined as values-expected behaviours. According to the theory when we know the individual values we can make inferences about the decisions of the individuals and, therefore, launch an alternative for understanding the decision-making process within boards (SCHWARTZ, 2005).

The relationship value-expected behaviour proposed by Schwartz in his theory was tested by Adams, Licht and Sagiv (2011), where the values and the directors’ motivational types were related to the business orientation, with the object of identifying decision-making trends orientated to the shareholder or the other related parties, resulting in significant relationships for the influence of the context on expected behaviour.

However, several other factors can also influence decisions and actions of individuals in addition to their individual values: the culture of the organization, peer pressure, time available for decision-making, the regulatory environment, cognitive tendencies, specific situations, among others. Factors such as the condition of the individual’s health, life phases, age, among others, can influence the strength of the value-expected behaviours relationship (SCHWARTZ, 2005).

We found few previous articles that evaluated human values and their

characteristics in boards of directors. Human values and their effects on boards decisions have been studied by Adams, Licht and Sagiv (2011), who point to significant relations between values and decisions. Barbero and Marchiano (2016) evaluated collectivist and individualist values and related the decisions of the board favourable to the shareholder and the other stakeholders as a function of the values presented. Additionally, Marchiano *et al.* (2018) studied the influence of functional experience in finance in the values-expected behaviour relationship.

We argue that there are normative influences that alter the intensity of the values-behaviours relationship. Values represent one of the several factors that can influence behaviour, just as the strength of the value-behaviour relationship can vary in accordance with the situation, the more normative the environment, the less will be the expected correlation between values and behaviours (BARDI; SCHWARTZ, 2003).

We argue especially that the VOS conservation composed of the motivational type's tradition, conformity and security should suffer influence from the specific external context. The literature on needs, social motives, institutional demands and the requirements of social groups indicate that conformity requires that individuals repress impulses and actions that affect others negatively. Such restrictions are incorporated in the conscience or super ego of the individuals encouraging behavioural restrictions (GORDON, 1960; KOHN; SCHOOLER, 1983). Security as a basic need of survival goes beyond individual survival, meets social demands and requires that groups remain secure. Tradition, in its turn, is related to the values of acceptance of social rules and norms (SCHWARTZ; BILSKY, 1990). Conservation is opposed to self-determination, related to the individual interests, and this being so; the importance conferred on conservation should be more in the groups of individuals exposed to situations where the restriction on behaviours is more evident.

Grant and McGhee (2017) in qualitative research also investigated how and why directors' personal ethics are important in their task of governance and demonstrated that they are extremely influential in their ethical decision-making. From their research three major themes emerged: "Directors' personal moral values are a powerful driver in ethical decision-making of directors; codes of ethics are seen to be effective to the extent that individuals have a strong moral compass; the personal moral code has great value for the individual, decisions being consistent with it and defining who they are". Arioglu (2021) in their research suggest that board age diversity has a positive effect on both company performance and risk. Even though values were not directly observable, it was assumed that their

ages reflect their values. Talavera, Yin, Zhangb (2018) on the other hand, using a quantitative model examined, through the Chinese banking system, the effects of board diversity. They investigated why age-diverse boards influence bank performance and decomposed board age diversity into diversity of directors' personal values. Yasser *et al.* (2020) also examined whether, and how, positive and negative corporate social responsibility events relate to specific demographic characteristics such as directors' age in Asian emerging economies.

Steckler and Clark (2019) explored how authenticity, a personal and morally significant virtue, affects the primary monitoring and strategy functions of the board of directors as well as core processes concerning director selection, cultivation, and enactment by the board.

In their paper, differently from previous researches, the dimension of restrictive scenarios are analysed in combination with individual values. The restrictive scenarios chosen are very relevant and may interfere in individual decisions, as well as in group decisions. We choose among several factors that influence the decisions, the legal requirements and the size of the company. It is expected that individuals exposed to a more restrictive and/or effective regulatory environment tend to make more conservative decisions, just as it is expected that the difference in access to resources from a large company compared to a smaller one should also influence the decisions of its directors.

When results indicate that restrictive scenarios influence the behaviour and expected decisions of directors, such information becomes relevant both for companies and for society. For companies because it allows them to select members that will be more aligned with their needs and ambitions. For society because it makes it possible to demand, through appropriate regulations, the guidance of business behaviour.

Normative influences, however, also are not the same for all companies. Private companies have milder exigencies than public ones. Even public companies can have growing levels of the exigencies depending on the market they are listed in. In the Brazilian case there are three levels of exigencies the highest being called the New Market. These distinct levels of normative exigency represent the pressures of the external context for the purposes of this article (ZATTONI *et al.*, 2017; LICHT; ADAMS, 2019).

In this way, we advocate the research hypotheses that seek to understand the influence of the normative environment, determined by the distinct levels of corporate governance, on the decisions expected from the directors, measured by their personal values and motivational types, especially the motivational type's

conservation that represents respect for norms and traditions.

- H1 – Directors acting in companies exposed to more restrictive normative environments should present a higher degree of conservation, and statistically different from the other directors. Arguments that the restriction on the impulses promoted by the external context, avoids the rupture of social interaction, generating a positive concern with the wellbeing of others. The normative social requirement is also incorporated into the moral systems and expressed through altruism and benevolence. The need for belonging can be transformed into pro-social values (SCHWARTZ; BILSKY, 1990), however, the normative external context to which the directors are exposed should increase the importance conferred on the motivational types benevolence and universalism. Benevolence and universalism are considered motivational types typically associated to collective interests, principally tolerance and protection of the group. While benevolence is more associated with protection of those most intimate, universalism is more wide ranging, although both are associated to the higher order value (VOS) transcendence, which is opposed to self-promotion, associated to individualistic motivational types. In this manner, we expect that directors exposed to the context of greater governance present a relatively superior importance to these two motivational types than other directors (board members) exposed to less normative pressure. We present, therefore, the second research hypothesis:
- H2 – Directors acting in companies exposed to more restrictive normative environments should present higher degree of benevolence and universalism, and statistically different from the other directors. The process of socialization within a determined group, in our specific case, the board, provokes a certain isomorphism in the competences, attitudes and management styles of the individuals who are members of this group (ALDERFER, 1986; MICHEL; HAMBRICK, 1992; PFEFFER, 1985). However, the board meets few times a year, and decisions regarding the control and support for the management that should be based on his experiences and personal competences are required from the director. The decisions are, to a certain extent, based on experiences of each individual, and it is also known that risk aversion increases with age (RHODES, 1983; VROOM; PAHL, 1971), as does tolerance towards both being related to the personal experience and level of instruction of each individual. Experience and greater age tend to produce more conservative decisions. (FINKELSTEIN; HAMBRICK, 1990) In this way, we expect that personal experience can influence the expected behaviour of the directors making the

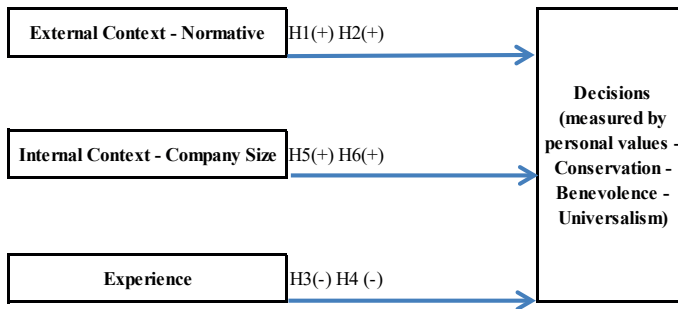
segregation of the contextual aspects more difficult and affecting the importance conferred on conservation. To be able to segregate the undesired effect, in this case personal experience and its influence on the values and motivational types pointed out by the directors, submitted to various levels of governance, we enunciate Hypotheses 3 and 4. The main objective of these hypotheses is to examine whether the scores of the directors are the result of exposure to external and internal contexts or exclusively due to their personal experience.

- H3 – The director's experience should not influence the levels of conservation presented by directors exposed to different levels of restrictive normative environments, internal or external and
- H4 – The director's experience should not influence benevolence and universalism presented by directors exposed to different levels restrictive normative environments, internal or external. In addition to the external context influences, in family companies, there is a concentration of functions between the board, the family and management (MUSTAKALLIO; AUTIO; ZAHRA, 2002; NORDQVIST; MELIN, 2002). The high concentration of capital can lead to risk aversion behaviour (CHANDLER, 1990), as well as to less need for monitoring, diminishing agency conflict (BRUNNINGE; NORDQVIST, 2004; HUSE, 2000). Given the concentration of functions in smaller companies, the levels of agency risk are distinct as a result of property structure- as are the objectives of the managers of these companies –growth and diversification- when compared to large companies –increasing share value (BETHEL; LIEBESKIND, 1993). It has been argued that smaller companies because of their concentration of functions (VAN DEN HEUVEL; VAN GILS; VOORDECKERS, 2006) ended by presenting greater centralisation in decision-making and power and, consequently, less internal influence (REDIKER; SETH, 1995). Such a characteristic should affect negatively the importance conferred upon the higher order value conservation, making it less relevant for the directors acting in this environment. On the other hand, directors acting in large companies, normally characterized by a more segregated management structure tend to be more exposed to agency conflict and the power of the CEO (DAILY; JOHNSON, 1997). Additionally, companies exposed to higher levels of governments also have higher invoicing. So that directors (board members) acting in larger companies should present greater conservation and those acting in smaller company's greater openness to change. Finally, the objective of the fifth and sixth hypotheses is to check if the internal context, measured by the proxy size of the company, influences the

values-expected behaviours relationship of the directors, so that the directors acting in larger companies present greater importance for the higher order value VOS conservation, as well as to the motivational types benevolence and universalism, than directors acting in smaller companies.

- H5 – The size of the company should influence the levels of conservation presented by the directors (board members) exposed to diverse levels of corporate governance and
- H6 – The size of the company should influence the motivational type's benevolence and universalism.

Figure 1. Summary of the Research model.



Source: prepared by the authors.

2 Method and sampling

The research is characterized quantitative, descriptive and correlational, by applying a survey to primary data.

According to Marconi and Lakatos (2010, p. 185) the “questionnaire must observe precise rules in order to increase its effectiveness and validity”. The elaboration process is long and complex and the questionnaire must be limited in scope and purpose. The questions must be coded in order to facilitate their subsequent tabulation. To measure the reliability of the questionnaire, Cronbach's Alpha was calculated.

In general, for alphas greater than 0.9, excellent reliability is indicated, alphas between 0.8 and 0.9, good, between 0.7 and 0.8, acceptable, between 0.6 and 0.7,

questionable, between 0.5 to 0.6, poor, and finally, less than 0.5, unacceptable.

The Cronbach's Alpha of the questionnaire resulted in 0.9234, which indicates excellent reliability. Alpha can be impacted by the size of the questionnaire, as well as the correlation between variables.

The questions were the closed and estimation type, in which an attempt is made to obtain a judgment on a scale of varying degrees of intensity. The answers are quantitative indicating the degree of intensity increasing from -1 to 7 (MARCONI; LAKATOS, 2010).

For each value presented, the interviewee will assign a weight, ranging from -1 to 7, whose level of importance was presented in Chart 1 (Likert Scale – the scale serves to identify the degree to which a respondent agrees or disagrees with a particular topic or a statement).

The paper utilizes individual values as an instrument for measuring, through a quantitative methodology that encompasses an inventory of values, the decision-making tendencies of directors (board members) as they are exposed to external and internal factors to the company.

As a basis we used the Schwartz Values Inventory (SVI) containing 60 questions, which indicate the 60 values considered universal according to the Schwartz Theory. To answer the IVS, the respondent must indicate on a scale whether he agrees or disagrees with the importance of each of the values. As a result of the IVS, it is possible to indicate and order the relative importance of each of the values for each of the individuals, allowing the classification of what is most relevant to what is less relevant for individual decision making. It is worth remembering that values can be congruent or conflicting, in a classic example, an individual who is more open to change must be mandatorily less conservative than one who is less open to change.

The data have been tested and do not follow a normal distribution. When the data do not follow a normal distribution, it is not recommended to perform regressions, whether single or multiple. Suitable tests for non-normal distributions are the difference between means tests. Once we found that the data are not normally distributed, we chose to perform non-parametric tests, known as the difference between means tests. To perform the tests, the sample was segregated according to the proposal of the article.

To carry out the first test, we segregated the directors between those who worked in companies exposed to greater and lesser legal requirements. The concept used to define the level of legal requirement is that established by the CVM (Brazilian Securities and Exchange Commission). In this way, we created groups

of directors, those exposed to greater and more restrictive rules of action and those who are not exposed to such restrictions, and we tested some of their values (and consequently their decision-making tendency). We could see differences between averages in the values of the directors for this test.

In a similar way, we did it for directors who worked in larger or smaller companies, therefore with greater or lesser access to resources. We could see differences between the averages in the individual values of the directors. Finally, as a control condition, we tested whether the director's experience also influenced his decisions. Interestingly, this test was not significant in any scenario.

To test the hypotheses a survey was carried out to collect primary data. The Inventory of Values of Schwartz (IVS) with its 60 items was applied, adapted and validated for Brazil; Schwartz' Theory has been validated in more than 210 investigations in 67 countries, including Brazil in 2009 (TAMAYO; PORTO, 2009). The SVI measures the importance that each individual attribute to the 60 universal human values, allowing them prioritization and establishing relationships between them. Based on the importance accorded to each value, according to the theory, it becomes possible to establish a relationship between the values of the individuals and their expected behaviour. The questions of the IVS are of the closed type where one tries to obtain a judgment on a scale with various degrees of intensity. The replies are quantitative indicating a degree of intensity growing from -1 a 7. In addition to the IVS questionnaire demographic questions were made to capture intermediate data; the size of the company, the number of employees, the level of corporate governance, the segment of its activities, gender and age as proxy of professional experience.

The questionnaire was sent out on the basis of directors participating in the Brazilian Institute of Corporate Governance (IBGC) and also to individual contacts of the authors. Such a procedure did not cause any bias in the results, as all the respondents received the same instructions and filled in the electronic questionnaire directly. Only directors (board members) could reply to the survey. 156 replies were received, 14 respondents not having concluded the questionnaire and 21 not exercising the function of director, resulting in a final sample of 121 individuals. The treatment of the data was initially controlled through the calculation of Cronbach's alpha for the IVS ($\alpha = 0.92$), considered satisfactory (FÁVERO *et al.*, 2009). We applied the Kolmogorov-Smirnov and Shapiro-Wilk tests and found that the data of the IVS are not normally distributed ($p < 0,001$). As the data are not parametric, the Mann-Whitney test was selected to test the hypotheses and applied in the group and test variables, H0: being a difference in the

groups and H1: where did not exist significant difference between the values and motivational types of the directors (board members).

To test the six hypotheses of the article the complete SVI with its 60 questions was applied to measure the individual values of the directors (board members). The 60 individual values were grouped within the 10 motivational types, that is: self-determination, stimulation, hedonism, realisation, power, security, conformity, tradition, benevolence and universalism. Such grouping allows a relationship to be established between the importance conferred on the motivational types and the decisions expected from the directors (board members). Additionally, data were collected to identify the possible effects of the context external to the company, of the board member's experience and of the internal context on the decisions of the directors (board members). Details of the grouping variables are given in chapter 4 – Grouping Variables.

3 Grouping variables

To test the hypotheses three grouping variables were selected:

- a) **External context:** with the objective of identifying whether the directors (board members) behaviour can be distinguished depending on external influences we utilised a proxy to measure the external context to which the board member is subjected. The proxy chosen was the growing level of exigencies and rules imposed by the regulatory agencies, starting from the minimum exigency level of companies not listed on the stock exchange up to the maximum level of exigency of companies listed at the highest level of corporate governance, called the New Market. Measured by the corporate governance external requirements: the first variable of the grouping identifies the diverse levels of corporate governance, from companies not listed on the BM&FBovespa to those listed on the new market. Three groups were selected. The first of directors acting in companies declared as not listed, the second of directors acting in companies listed on the traditional market and on levels one and two and, the third group of board members acting in companies listed on the New Market. All the groups were treated statistically, although to test the hypotheses of this article, groups 1 and 3 were selected.
- b) **Board member's experience:** with the objective of identifying whether the expected behaviour of directors (board members) diverges as a function of their experience we utilized the proxy age, with the idea of segregating individuals with greater or lesser time of professional exposure. The second group variable,

natural logarithm of age, seeks to measure the degree of experience of the respondent, using the proxy years worked, was also divided into three groups. The first constituted of directors (board members) up to 45 years of age, the second group consisting of directors (board members) aged between 46 and 60 and, the third group with directors (board members) of age over 61.

- c) **Internal context:** with the objective of identifying whether the expected behavior of directors (board members) diverges as a function of the size of their main company, we separated the directors (board members) according to whether they were active in a small or a large company. Measured by the size of the company where the board member is active: the third group variable, the size of the company, measured by the natural logarithm of the invoicing. This was also divided into three groups. The first with directors (board members) active in companies that had invoicing of up to two hundred million Reals, the second group with revenues between two hundred and eight hundred million Reals and the third group with revenues above eight hundred million Reals.

4 Results and discussion

Of the 121 valid replies, 95% of the respondents are men and 5% women.. As regards the distribution of attributions, 62 are directors (board members) 15 are directors in the tax planning, 2 are on the audit committee and 42 are on other boards, among them, the consultative. A high proportion of the individuals, 78.5% belong to the 41 to 60 age bracket, indicating more experienced individuals.

The result of the importance attached by the respondents to each of the motivational types for the complete sample is presented in Table 1.

Table 1. Motivational types

Average	Standard deviation	Motivational types	Average	Standard deviation	Motivational types
5.25	1.79	Universalism	4.60	2.44	Security
5.25	1.97	Benevolence	3.40	2.09	Hedonism
4.93	2.00	Realization	3.33	2.40	Stimulation
4.85	2.22	Self determination	2.74	2.70	Tradition
4.85	1.92	Conformity	2.12	2.12	Power

Source: prepared by the authors.

The motivational types benevolence, realization, universalism, conformity and self determination represented higher importance for the directors, while power, tradition and stimulation resulted in lower scores. The directors (board members) in general indicated greater importance for cooperative relationships and for the survival of the group. They attributed lower importance to the need to control resources, however they stressed the need to demonstrate high individual performance that ensures survival of the business.

In analysing the compatibility and the conflict between the higher order values, we find that the directors (board members) demonstrate greater importance towards collective priorities, in this case, those of their companies, indicated by the importance given to self transcendence, as well as considering conservation superior to openness to change.

To evaluate the aggregated effects and test the hypotheses, we divided the directors into groups. The first group variable represents corporate governance and seeks to identify the effects of this context on the value-expected behaviour relationship. The first group is constituted of companies not listed and has 47 directors (board members). The second group is constituted of 33 directors (board members) active in companies listed on the traditional market and on levels 1 and 2 of BM&FBovespa. The group of respondents in the sample acting in companies listed in the new market consists of 41 directors (board members).

The second group variable seeks to evaluate the effects of the context size of the company. To this end three groups were constituted, the first composed of directors (board members) acting in smaller companies (59 individuals). The second by directors (board members) acting in medium sized companies (23 individuals) and the third is devoted to large companies (39 respondents).

The third group variable is experience and this seeks to isolate the possible effects caused by greater or lesser experience of the board members, controlling, therefore, if the results presented suffer the effective influence of the context or

are influenced by a personal characteristic. As proxy of experience, we utilized the age of the individual. The first group is constituted of less experienced directors (31), the second of mature individuals (51) and the third of more experienced individuals (39).

In Table 2 the relations between the test and the group variables studied. There is a positive and significant correlation between the variable governance and the higher order value conservation (+0.182* at 5% significance). There is a positive and significant correlation between the motivational types benevolence (+0.208* at 5% significance) and universalism (+0.366** at 1% significance) with the variable governance. Such results support H1 and H2. Experience, measured by the proxy age, did not present significant correlation with the test variables, conservation, benevolence and universalism. Such results support H3 and H4.

Size showed significant correlation with the higher order value conservation (+0,207* at 5% significance), as well as significant and positive correlation with the motivational type universalism (+0.318** at 1% significance). The motivational type benevolence did not present correlation with the group variable revenue. The findings partially support H5 and H6.

Table 2. Correlations

	Security	Conformity	Tradition	Benevolence	Universalism	Conservation	Individualism	Collectivism	LogRev	LogAge	Governance
Security	1.000										
Conformity	.512**	1.000									
Tradition	.556**	.510**	1.000								
Benevolence	.443**	.589**	.498**	1.000							
Universalism	.515**	.547**	.392**	.636**	1.000						
Conservation	.815	.824**	.820**	.625**	.596**	1.000					
Individualism	.569	.384**	.568**	.336**	.380**	.603**	1.000				
Collectivism	.755**	.807**	.745**	.804**	.784**	.938**	.559**	1.000			
LogRev	.183*	.101	.245**	.133	.318**	.207**	.053	.244**	1.000		
LogAge	-.170	-.041	-.111	-.029	.008	-.118	.011	-.087	.066	1.000	
Governance	.162	.164	.147	.208	.366	.182	.002	.256**	.379**	.229*	1.000

* Level 0,05.

** The correlation is significant at the level 0.01.

Source: prepared by the authors.

The importance attached to each motivational type and to the higher order value conservation, as well as the results of the Mann-Whitney tests and the statistical significance for the first group variable – governance – are presented in Table 3.

Table 3. External context

Test variable	Not listed average	New market average	Mann-Whitney U	Significance
Self determination	4.87	4.85	931500	0.79
Stimulation	2.91	3.46	706500	0.31
Hedonism	3.34	3.20	898000	0.84
Openness	3.71	3.83	861500	0.39
Realization	4.98	4.95	919000	0.71
Power	2.12	2.04	880000	0.48
Security	4.39	4.83	726000	0.05**
Conformity	4.79	5.10	813500	0.21
Tradition	2.59	2.96	765000	0.09***
Benevolence	5.11	5.56	713500	0.04**
Individualism	5.06	5.83	591.500	0,02**
Universalism	3.65	3.70	908500	0.65
Coletivism	4.39	4.86	667500	0.01*
LogRev	19.27	19.96	555500	0.00*
LogAge	3.91	3.99	671000	0.01*

Source: prepared by the authors.

The higher order value conservation, by means of the Mann-Whitney test applied to the group of directors acting in non-listed and companies listed in the new market, gave a result significant to 5%. The importance attached by the directors (board members) exposed to a higher level of governance (4.30) is statistically different and superior to that presented by the directors (board members) active in non-listed companies (3.93). Such results allow us to accept H1: directors (board members) active in companies with a higher level of corporate governance should present the higher order value conservation greater and statistically different from the other directors (board members).

For the motivational types benevolence and universalism, the tests gave significant results to 5%, so that the directors (board members) active in not listed companies gave importance distinct, for these motivational types, from those active in companies belonging to the New Market. Additionally, the importance

attached to benevolence and universalism (5.56 and 5.83 respectively) of the directors active in the new market are greater than the importance attributed to these motivational types by those active in not listed companies (5.1 and 5.06 respectively). These findings allow us to accept H2: Directors active in companies with a higher level of corporate governance should present the motivational types benevolence and universalism greater and statistically different from the other directors.

The importance attributed to each motivational type and to the higher order value conservation, as also, the results of the Mann-Whitney test and the statistical significance for the second group variable– Size –are presented in Table 4.

Table 4. Internal context

Test variable	Group 1	Group 3	Mann-Whitney U	Significance
Self determination	4.77	5.05	975,500	0.28
Stimulation	3.42	3.23	1,070,500	0.70
Hedonism	3.49	3.64	1,035,000	0.61
Openness	3.89	3.97	1,043,000	0.56
Realization	4.75	5.29	806,500	0.02**
Power	2.2	2.1	1,069,000	0.70
Security	4.38	4.92	783,500	0.01**
Confonny	4.69	5.19	896,000	0.09
Tradition	2.44	3.36	621,000	0,00**
Benevolence	5.17	5.6	865,000	0.06***
Univelsalism	4.91	5.74	652,000	0.00*
Individualism	3.73	3.86	1,005,000	0.39
Coletivism	4,32	4.96	682,000	0.00*
Conservation	3.84	4.49	715.000	0.00*

Source: prepared by the authors.

To ratify the findings, we controlled the results through the group variable size. The higher order value conservation gave a result statistically different and significant to 1%. The importance attributed by the directors (board members) active in companies of the new market was superior to that attributed by the directors (board members) acting in not listed companies (4.49 and 3.84) respectively. The result allows us to accept H5, indicating that the context size influences the value-expected behaviour relationship for conservation.

For both benevolence and universalism, the importance attributed by directors (board members) of companies of the new market are superior to that attributed by those active in non-listed companies (5.60 and 5.17 for benevolence; 5.74 and 4.91 for universalism). Nevertheless, for the motivational type benevolence the result was significant only to 10%. The results allow us to support partially H6

The importance attributed to each motivational type and to the higher order value conservation, as also, the results of the Mann-Whitney test and the statistical significance for the third group variable— Experience—are presented in Table 5.

Table 5. Experience

Test Variable	Group 1	Group 3	Mann-Whitney U	Significance
Self-determination	4.74	5.02	515,500	0.29
Stimulation	3.20	3.47	501,000	0.22
Hedonism	2.94	3.04	582,000	0.97
Openness	3.63	3.84	526,000	0.35
Realization	4.86	5.1	523,500	0.34
Power	2.31	1.91	519,000	0.31
Security	4.67	4.33	480,000	0,14
Confonnity	5.02	4.82	559,500	0.59
Tradition	2.79	2.44	518,500	0.31
Benevolence	5.26	5.20	565,500	0.64
Universalism	5,48	5.32	560,000	0.60
Individualism	3,61	3.71	548,500	0.51
Coletivism	4,64	4.42	522,000	0.33
Conservation	4,16	3,86	514,500	0,29

Source: prepared by the authors.

With the objective of controlling the results, as the experience of the directors (board members) active in reputable companies and belonging to the new market, where companies with high levels of governance are traded, a result significant to 5% was also obtained. We carried out the Mann-Whitney test for the group variable experience. The objective of the test was to determine if greater age presented by the directors (board members) active in companies belonging to the new market influenced the results presented for the higher order value conservation and for the motivational types benevolence and universalism. The hypothesis is that experience should not relates to the previous results, should the results be

significant, the strength of the values-expected behaviour relationship would be exposed to other variables, jeopardising the analysis of the influence of the context, measured by the levels of governance in the individual values of the directors. The results were not significant allowing us to accept H3 and H4.

In this article, we proposed to study the values of directors and identify their decision-making tendencies. Additionally, we seek to assess whether decision-making trends could be influenced by factors external and internal to the company. The results indicated that the expected values-behaviour relationship is influenced by external rules and restrictions issued by the market control entities, as well as being influenced by the company's internal structure, measured by the revenues proxy.

Although, to the best of our knowledge, few articles have been devoted to studying and relating directors' values to some form of decision-making, this article can corroborate previous results indicating that human values influence to some extent directors' decisions. Furthermore, we advance in relation to previous studies by indicating external and internal factors that influence individuals' decisions. Contrary to our initial expectations, the experience did not prove to be significant in explaining the expected values-behaviour relationship of directors, as well as their potential decisions.

Although the results are encouraging, very little has yet been explored about the influence of human values on business decisions. However, this article contributes by evaluating the individual dimension, focusing on the board member and not on group decisions previously evaluated. The boards make the main business decisions, but they meet a few times a year, making the study focused on the director essential to understand the dynamics of decision-making in organizations.

We suggest that the study of human values can contribute to an understanding of board decisions. Much has been studied recently about board diversity and independence as a way to make boards more effective. However, the human values that are one of the factors in the construction of human behaviour and, as a consequence, of our decisions, still needs further investigation. The diversity and efficiency of the board can also be achieved, eventually, through the selection of individuals with different values and, consequently, with different ways of understanding the world and deciding.

The results contribute theoretically along two lines at least. The first of them is in focus in academic research on the individual, in this case, the board member and his decision-making tendencies, measured by means of his personal values. The second of them is in indicating factors of influence on these decision-making

tendencies, especially the exposure to higher levels of corporate governance rules and the structure of company. The results contribute professionally in suggesting that normative advances, result of the adoption of better corporate governance practices mould the expected behaviour of the directors (board members), can influence their decisions and, in the final instance, widen the vision for all interested publics. The findings allow us finally to infer that the structures of organizations influence the decisions of the directors (board members), suggesting the boards do not operate in isolation from the context in which they are inserted.

In addition to the previously mentioned theoretical and practical contributions, we can infer that more harmonious boards with fewer conflicts can produce better corporate governance, principally facilitating the communication process, making it clearer, and therefore, mitigating possible risks of compliance. Such problems with compliance have been the origin of various economic crises with severe social consequences, such as the loss of income and employment.

Finally, understanding directors' values and derived behaviours is a key element to avoid a dysfunctional governance and of the essence for shareholders and other stakeholders in general that may have a long-term interest in the company's success. In the short term, given external and internal constraints directors may, for example, comply with norms or be aligned with an integrity system or follow other members votes in the short term only for personal pragmatic interests in an agency conflict that is not perceived or detected by other directors or because they realise that costly state verification is becoming cheaper vis-à-vis costly state falsification. The results of this research do not allow us to infer that, on the long term, an absence of directors' constructive values that is not perceived or that may not lead to negative perceived consequences in the short-term or even medium term, will not be sustainable on a long-term basis. Market wisdom and empirical evidences seem to indicate that this is almost always true, but confirmation will require a continuation of the academic research on this topic. We come back to this point in the last part of this paper's conclusion.

Conclusion

Despite the great importance of values in the context of governance and in particular in the functioning of boards, the challenge of investigating it represents one of the most complex areas in the field of corporate governance both in theoretical and practical terms. In this sense, the challenge of understanding the extent to which personal values under the influence of external and internal contexts

influence value generation for companies in a sustainable perspective needs to be examined in-depth, especially in emerging economies. The results expand on the previous literature considering:

- The evaluation on the individual director and not on group decisions that has been the academic predominant research focus and by taking a new look at the individual from the perspective of an inventory of values;
- The context in which the tests were carried out, because of the lack of studies in economies such as Brazil – the tests may be replicated in other emerging and/or more mature markets.

We identified the individual values and motivational types for the directors (board members). In analysing the complete sample, the group presented high capacity of realization and independent action. The directors (board members) value stability, security, tolerance and the norms, they indicated moderate importance for openness to change and a low index for the need of controlling people and resources was identified. The results are aligned with the factors of influence indicated by Schwartz (2005), such as the level of education, age and regulatory environment, among others.

The results indicated that exposure to distinct levels of corporate governance norms and rules affect the importance given by the director (board member) to the higher order value conservation, as well as to the motivational types benevolence and universalism. The results also indicated that the internal context, measured by the size of the company also influences the importance attributed by the directors (board members) to conservation and universalism. Finally, the results indicated that individual experience did not influence directly the distinct importance conferred by the directors exposed to the contexts external and internal to the board. It cannot be said, however, that professional experience is not relevant, as well as maturity and wisdom, the latter normally being more linked to age than the former. A deeper study on this specific point is necessary and may be the object of future investigations. The issue of enforceability is related to the degree of maturity of institutions and the institutional legal environment and may have had influence in this particular result. The volatility of jurisprudence and lack of effectiveness in law enforcement can send negative signaling and are expected to lower the restriction of actions and impulses that may violate social norms.

In dealing with the challenges of Corporate Governance, the adoption, for example, of ESG standards has been envisioned as a more agile and sustainable form of regulation, taking into account social concerns. These types of standards raise awareness and can strengthen stakeholder positioning, channel

societal expectations for companies, and arouse media attention that pressures organizations to comply with these standards. These standards have been gradually changing business structures, including, for example, self-regulatory initiatives within industries or specialist consultancies that provide expertise to companies that want to improve their performance.

As a result, companies adjust their processes and create management standards within corporations and take proactive steps, such as agreeing on international standards in their industries. It is important to point out that the evolution of the markets, the new regulations and enforcement rules related to fund providers, the evolution of the institutional legal environment, the new demands from society and the various stakeholders of a corporation are fundamental contributions to the improvement of corporate governance. This implies that an increasingly fundamental attention has to be given to organizational cultural issues, which, in turn, cannot be dissociated from the personal values of their leaders. This is one of the central arguments of this paper. In fact, these are elements whose complementarity is essential for a virtuous circle of improvement of adequate corporate governance and where markets, in a pragmatic and natural way, are and will probably and increasingly be, vectors of acceleration and consolidation of this virtuous process.

We propose that the findings indicate that the demographic characteristics, such as the independence of the member in relation to the property structure and the number of members on the board do not completely explain the decision process, and consequently, the business performance. We further propose that to a certain extent; the decisions of boards are founded also on the individuals and not only on the results of collective decisions resulting from working in a group. Apparently, as suggested in Finkelstein and Mooney (2003) there is no relation between demographic data and business performance, the results are associated with individual decisions.

We have seen that the external and internal contexts influence the behaviour expected from the director. In this manner, we have clarified that boards cannot be considered isolated entities, immune from regulatory influences and the structure of functioning of the organizations. To study in isolation the board seems not to respond properly to the challenges of better corporate governance, making it necessary to treat the board and the directors (board members) as part of a decision-making process, dynamically influencing and being influenced by various forces internal and external to the organization.

Within the limits of the study, the low independence of board members and

their high connection to the property structure can influence the results pointed to for conservation. The concentration of family companies can interfere in the importance conceded to universalism, benevolence and conservation. Another limitation pointed out by the authors is that professional experience suffers influences from the situations to which each individual has been exposed, the proxy age may not be able to capture completely this effect.

The study, by its results, opens up opportunities for future studies. One of the paths is a comparison of the values of directors (board members) exposed to the same level of corporate governance in distinct sectors. To evaluate the values of independent board members and those linked to the property structure, in the same internal and external context. Also, to develop a specific questionnaire to measure the laboratory decisions of the board members and relate them to their personal values. Another path for future research that will be a natural sequence for the research object of this paper will be a quantitative investigation of the relationship and the alignment, on the long run, of directors' personal values, organizational cultural values (that go beyond mere statements) and actual and sustainable economic and financial performance.

Finally, this also brings us to the serious problems of legal uncertainty and impunity. Corporate social responsibility and ESG principles, in the context of these problems, are only sustainable in the long term when they, together with legislation connected to the reality of a given society, are also supported by individual values and their consequences on corporate values and actions. New research may also seek to relate jurisprudential changes with possible incentives to increase crime. If law enforcement is not effective, if judicial behaviorism can be influenced by external incentives, results can be catastrophic for society stressing to the limit personal and corporate values.

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