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# THREE DIMENSIONS OF CORPORATE GOVERNANCE: TRIALS OF STRENGTH, ILLUSIONS OF CONTROL AND GENDER DIVERSITY

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# Abstract

Auditing and corporate governance are more than an ensemble of techniques influenced by society; they also influence and sometimes create the world we live in. Rather than emphasizing ordered and peaceful accounts of technical and regulatory developments in matters of corporate governance, my thesis is predicated on sociological perspectives which seek to shed light on the actual networks and processes that underlie the spread of regulation, policies and "best" practices in society. The promotion and adoption of ideals of competition, transparency and to some extent diversity within the public sector are greatly derived from the private sector, making the separation of research dealing with the governance of public and private organizations more complex. Therefore, the objective of this thesis is to study the development and implementation of regulatory standards for boards of directors in private as well as in public corporations.

The recognition of actor reflexivity in interpreting key aspects of corporate governance processes is at the core of this thesis where individual agency and interpersonal interactions are central. Discourses and structures do not deterministically impact the behavior of individuals; they are necessarily interpreted and translated along the way. An examination of how ideas travel and how actors construct meanings - bringing further light on their complexities – in the adoption and enactment of new governance regulation is the overall objective of the three essays which constitute this thesis. How do ideas travel from one the private to the public sphere? In which conditions are programmes and their underlying technologies translated into regulatory frameworks? What is the role of experts in the promotion of ideas and the trials of strength they are submitted to? How are regulatory prescriptions and best-practice discourse received by the individuals in charge of their enactment? Is reception characterized with a logic of compliance and/or one of resistance? How do board members make sense and interpret the presence of women on boards in light of affirmative action regulation? These questions cannot be answered with simple explanations and assumptions however their exploration conveys the rich complexity and inherent contradictions of the world in which we live.

# Résumé

L’audit et la gouvernance d’entreprise dépassent le simple ensemble de techniques influencées par la société; ils inspirent et créent parfois le monde dans lequel nous vivons. Au lieu de rendre compte de manière ordonnée et réservée des développements en matière de technique et de régulation de la gouvernance d’entreprise, cette thèse est guidée par des perspectives sociologiques qui cherchent à éclairer les réseaux et processus sous-jacents à la diffusion de la réglementation, des politiques et des « meilleures » pratiques dans notre société. La promotion et l’adoption d’idéaux de concurrence, de transparence et jusqu’à un certain point de diversité dans le secteur public sont grandement inspirées par le secteur privé, ce qui complique la distinction entre la recherche qui traite de la gouvernance des organisations privées et publiques. Cette thèse vise donc à étudier le développement et l’implantation de normes règlementaires qui s’adressent aux conseils d’administration dans les organisations du secteur privé et du secteur public.

La reconnaissance de la réflexivité des individus qui interprètent les éléments clés des processus de gouvernance d’entreprise est au centre de cette thèse qui attribue un rôle fondamental aux conditions d'action des individus et à leurs interactions. Les discours et les structures n’ont pas une incidence déterministe sur le comportement des individus; ils sont nécessairement interprétés et traduits en cours de route. L’objectif général des trois articles qui composent cette thèse, consiste à examiner comment les idées voyagent et comment les acteurs qui les reçoivent y donnent un sens – en mettant en valeur la complexité inhérente à l’adoption et à la mise en vigueur de nouvelles règles de gouvernance. Comment les idées voyagent-elles du secteur public au secteur privé? Dans quelles conditions les programmes et les technologies sous-jacentes sont-ils traduits en cadres réglementaires? Quel est le rôle des experts dans la promotion et la mise à l’épreuve des idées? Comment les prescriptions réglementaires et les discours de « meilleures pratiques » ont-ils été reçus par les individus responsables de leur application ? Est-ce que la réception est caractérisée par une logique de conformité et/ou une logique de résistance? Comment les membres des conseils d’administration donnent-ils un sens et interprètent-ils la présence de femmes dans leur conseil suivant une réglementation qui force la parité homme/femme? Ces questions ne peuvent trouver réponse avec des explications et des présomptions simplistes; leur

exploration illustre toutefois la complexité, la richesse et les contradictions inhérentes au monde dans lequel nous vivons.

# Foreword

My passion for teaching in a university setting and the desire to make it a full time job led me to undertake graduate studies in 2002. However, the type of academic research to which I was introduced did not spark my interest to a point where I wanted to undertake doctoral studies. As I continued to teach and practice audit, I saw, by sheer luck, a visiting professor's research paper – left in the shared printer: qualitative field research anchored in sociological theories to further our understanding of how situations are perceived and interpreted by participants in particular contexts, open to whatever emerged without predetermined constraints on outcomes. At a time when scandals and financial fiascos were multiplying and promises of renewed modes of governance were proposed as unproblematic solutions, it seemed that the power of research no longer lay in its failed promise to predict but rather in the recognition of human action and its study as inherently pluralistic and multi-vocal. Thus my journey began.

Like many of the most rewarding journeys we take in life, this dissertation would not have seen the day had I known then what I was getting into and without the support along the way of loyal friends and family as well as the extraordinary people I have had the privilege to meet since I have embarked on this path. Of all the words written and re-written in the past five years, the following are the most enjoyable and easiest to write. Words to express my gratitude to the people who have made this experience an incredible opportunity to grow as I pushed my limits both professionally and personally.

My first grateful thought goes to my mother who instilled in me the importance of higher education and conveyed the value of one's independence. While she has always believed in me and supported my endeavors, she also proofread, babysat and relentlessly cheered on as I ran towards the finish line. My sister Valerie and brother Stéphane both provided me with a space to exhale, most often in the form of laughter but always with unremitting and unconditional love. Their spouses, Marie-Renée Lavoie and Laurent Garrigues share the credit.

Many thanks to my friends and colleagues who gave me the initial courage to begin my studies and helped quiet the early moments of anxiety and feelings of being

overwhelmed: Maurice Gosselin, Raymond Morissette, Mélanie Roussy, Jean-François Henri and Dominique Arbour.

Along the way I was blessed with many encounters: David Cooper, Jeff Everett, Henri Guénin-Paracini, Sylvain Durocher, Daniel Coulombe, Jean Bédard, Marion Brivot, Caroline Lambert, Jean Turgeon, Lucie Rouillard, Natalie Rinfret and Luc Bernier. I am grateful for their helpful guidance and constructive comments.

My experience as a PhD student was undeniably heightened by my fellow classmates; I am always in awe of the genius of Bertrand Malsch. His generosity and kindness as well as our shared experiences have created a bond that will no doubt last a lifetime – colleague, friend, co-author and the little brother I never had; at times he has carried me, always encouraged me and pushed me to think outside the box. For all that he is, I will be eternally grateful.

I must also mention the network of friends who helped me along the way, I recognize the list is incomplete - Hélène Lavigne, Elisabeth Chouinard, Marie-Claude Cloutier, Isabel Rancier, Annie Laquerre, Nadine Belleville, Sophie Uhel, Isabelle Garon, Line Germain, Gabrielle Desgagné and Tania Paracini – I thank you for being real, sometimes brutally honest and always supportive.

I know now that the most important relationship in allowing me to complete and thrive throughout this process has been with my supervisor, Yves Gendron - the visiting professor whose paper I had found in the printer five years ago. His dedication, empathy, intelligence, compassion and gentle (yet very effective) push gave me the courage to begin and persevere. In a university setting known for constructing rigid scientific laws that attempt to explain fixed patterns of social behavior – Yves has been successful at doing things differently – he has instilled a sense of openness and intellectual freedom, where excellence and academic achievement is the norm. More than a supervisor and co-author – he is a mentor who has encouraged me to go to the outer edge of the field. I thank him for the promptness of his comments, the originality of his ideas, the strength of his convictions as well as for the financial and moral support provided.

I thank the board members and experts who have collaborated to the realization of this thesis through interviews. I also gratefully acknowledge the financial support of the Social Sciences and Humanities Research Council of Canada.

Finally I dedicate this thesis to my sons Alexandre, Xavier, Thomas and Loïc. You have inspired me to persevere, always do my best and open my mind to new experiences. I know you learn through my actions and I hope you continue to grow, discover and reflect - most of all I hope you have the courage to speak your mind, follow your heart and use all that you have been given for the greater good. May we face our futures bravely, taking responsibility for the time we take up and the space we occupy. My love, always and forever…

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# Introduction

As accountants, we are often trained to see accounting, auditing and codes of corporate governance as instruments of truth or as instruments of truthful conducts. However, sociology can provide a way of questioning these claims as it helps raise interrogations, understand change processes and differences, as well as the consequences of those differences. Social theories and methodologies can serve as instruments to help us appreciate how accounting is linked to broader institutional and social-economic dynamics. While a stream of accounting research in the past quarter century has come to view audit and corporate governance as an organizational and social phenomenon rather than a set of mere identifiable and objective practices, we now realize that the pressures which give rise to these practices are numerous, conflicting and often different from those which are used in their formal justification (Humphrey and Moizer, 1990; Miller and Rose, 1990; Chua, 1995; Power, 2003). In short, auditing and corporate governance are more than an ensemble of techniques influenced by society; they also influence and sometimes create the world we live in (Burchell et al., 1980). Using sociology in the study of audit and corporate governance is therefore justified. Rather than emphasizing ordered and peaceful accounts of technical and regulatory developments in matters of corporate governance, my thesis is predicated on sociological perspectives which seek to shed light on the actual networks and processes that underlie the spread of regulation, policies and "best" practices in society.

In recent times, many nations have been involved in programs of "modernization", (Broadbent and Guthrie, 2008) propelled by practitioners seeking to "improve" government and public administration practices through the adoption of private sector practices and managerial philosophies. The OECD summarizes these attempts, commonly framed as "new public management", as initiatives which aim to make the public sector 'lean and more competitive while, at the same time, trying to make public administration more responsive to citizens' needs by offering value for money, choice flexibility, and transparency' (OECD, 2005). However, this promotion and adoption of ideals of competition and transparency are greatly derived from what is happening in the private sector (Power, 1997), making it more and more difficult to differentiate the governance of

public and private sector organizations – and by extension to separate research dealing with governance of public and private organizations.

As highlighted by Leblanc and Gillies (2005, p.1), “the amazing thing [about the production of codes, best practices and guidelines] is that it has been based on very little knowledge about the relationship of corporate governance to corporate performance, and almost no knowledge about how boards actually work”. This haste to edict new rules warrants attention from researchers, mainly in view of the paucity of studies on corporate board practices – be it audit committees (Gendron and Bédard, 2006) or compensation committees (Malsch et al., 2012). Therefore, the objective of this thesis is to study the development and implementation of regulatory standards for boards of directors in private as well as in public corporations. The regulatory prescriptions under study were implemented in Canada and deal with: 1) the functioning of private sector audit committees; 2) the reform of the stewardship of state-owned enterprises; 3) the adoption of an agenda to promote the participation of women in corporate governance circles.

Empirically, my three papers rest on documentary analysis, facilitated by the obligation of law makers to record policy debates, as well as numerous interviews with high profile individuals involved either in boards of directors or implicated in the crafting of regulatory prescriptions. Theoretically, my approach is in keeping with a philosophy which animates one to think otherwise: to approach theory not as something to bow to, but as a tool kit from which to draw selectively in light of the analytical task at hand (Foucault, 1977: 208). For instance, in my first two essays, I have attempted to combine the Latourian lens to various segments of the academic literature concerned either with the theorization of the functioning of audit committees (Gendron and Bédard, 2006) or with the theorization of change by institutionnalists (Greenwood et al., 2002), while in my third essay I combine sensemaking theory (Weick, 1995) with the literature on the role and place of women in the business world (Kanter, 2010). I may put myself at risk for having used such an unconventional and eclectic approach in a scholarly universe notorious for its impenetrable frontiers and its predilection to reproduce paradigms. I would rather view my thesis as an expression of the freedom of thought of a researcher who willingly chooses to mix concepts

and translate them creatively from one stream to another (Malsch and Guénin-Paracini, 2012).

My first article co-authored with Yves Gendron and published in critical Perspectives on Accounting (Tremblay and Gendron 2011) examines linkages between discourse and social change, in the context of corporate governance in times of turbulence. Specifically, I study how regulatory prescriptions and best-practice discourse promoting a strengthening of audit committees' work, in the aftermath of the 2001–2002 financial scandals, were received by audit committee members. Is reception characterized with a logic of compliance and/or one of resistance? Conceptually, my study is informed by the notion of *trials of strength*, in that prescriptions are submitted to a series of loosely connected and quite informal tests taking place within the audit committee community. The investigative task is predicated on in-depth interviews with audit committee members of Canadian public companies. As such, the contribution of my paper is to consolidate literature on trials of strength in bringing further light on their complexities – specifically in showing that trials can be tentacular (being loosely related to one another), paradoxical (generating resistance and compliance simultaneously), and secretive (taking place behind closed doors).

My second article investigates the travel of ideas from the private sector, explored in the first essay, to public sector organizations as I study the framing of the legislation processes leading to the adoption of new governance regulation. The empirical setting of this article is the adoption, by the Québec government, of regulation regarding the role of boards for 24 government enterprises. Drawing on a Latourian framework, the study relies on the analysis of parliamentary debates, commission hearings, and interviews with key participants. Plans to "improve" governance were initially presented in generic formats in electoral promises of reform. Plans were then promoted through the construction of linkages with global and local scandals, as well as references to discourses about increasing distrust of public institutions and the absence of markets as a means to control behaviours.

While this paper attends to the specificity of the Québec situation, the objective is not to focus overly on this particular story, but to contribute to a better understanding of the processes by which private sector ideas become increasingly influential as they circulate in the public sector through their translation into a formal and legalized discourse. The

Québec situation however warrants special interest for two notable reasons: The first deals with the surprisingly low level of research in public sector transformations within the North American context (Van Helden, 2005; Broadbent and Guthrie, 2008); the second is relevant to what can be deemed by some as avant-garde or fashionable public administration, whereby private sector prescriptions with regard to internal control and risk management are legally formalized and transposed in the public sector.

The approach used in this study is also qualitative and mobilizes a range of data analyzed within a specific context. More than a thousand pages of public transcripts were reviewed, coded and supplemented with interviews of individuals who were actively involved in this initial process. In addition, a number of sources were considered, including white papers, articles, opinions and commentaries published in the popular and business press, in order to identify the ideas and technologies which allowed for the circulation of this movement to "modernize" governance of public-sector corporations.

Finally, my third study investigates the adoption of affirmative action legislation in the boardroom – specifically in the context of government corporations in Québec – as an attempt to break what is often described as the old boys' network to ensure that board composition is more reflective of contemporary society, thereby destabilizing traditional boundaries of board member expertise. Drawing on a series of interviews with board members, the aim is to better understand how the latter make sense of and interpret the presence of women on boards in light of affirmative action regulation passed into law in 2006.

My third article aims to contribute to the corporate governance literature in the following ways. First, it extends an emerging body of research on the gendering of boardrooms (Terjesen, Sealy and Singh 2009) by providing an in-depth examination of how the notions of gender and expertise are mobilized and intertwine in the context of the implementation of compulsory parity in the boardroom. My second aspiration is to establish further the use of qualitative research methods, which tend to be marginalized in the corporate governance literature, as a relevant means to increase our general understanding of board processes. Third, scholars have argued that disproportionate power is a problem linked to the *number* of women in the boardroom, and that a critical mass is

necessary for women to exert influence (Konrad, Kramer and Erkut, 2008). The present study is one of few giving access to a field where such a critical mass is attained, allowing me to investigate perceptions regarding the extent to which the order of things is altered in the boardroom once formal parity is established. This is particularly relevant since many countries around the world are considering affirmative-action-type regulation (Deloitte, 2011) to accelerate an otherwise dawdling trend in the nomination of women on boards (Catalyst, 2010).

As observed by Leblanc and Gillies (2005, p. 245), “whenever problems arose within the corporate sector, much of the blame for the difficulties was directed towards the manner in which corporations were governed – at boards of directors”. If, after reading my thesis, an attentive (and hopefully benevolent) reader is inclined to foresee that solutions to governance problems may rest more on the reversal of traditional alliances between actors in executive circles than on symbolic and prescribed changes to the way things are done, I will have by and large, reached my goal.

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**ARTICLE 1**

# GOVERNANCE PRESCRIPTIONS UNDER TRIAL: ON THE INTERPLAY BETWEEN THE LOGICS OF RESISTANCE AND COMPLIANCE IN AUDIT COMMITTEES


## Abstract

This paper examines linkages between discourse and social change, in the context of corporate governance in times of turbulence. Specifically, we study how regulatory prescriptions and best-practice discourse promoting a strengthening of audit committees' work, in the aftermath of the 2001–2002 financial scandals, were received by audit committee members. Is reception characterized with a logic of compliance and/or one of resistance? Conceptually, our study is informed by the notion of trials of strength, in that prescriptions are submitted to a series of loosely connected and quite informal tests taking place within the audit committee community. Our investigative task is predicated on in-depth interviews with audit committee members of Canadian public companies. The analysis indicates that the interviews are mainly reflective of a logic of resistance, which is especially sustained through interpretive strategies ultimately attributing the collapses of Enron and Arthur Andersen to atypical and unrepresentative actors. Prescriptions calling for a strengthening of the audit committee's role are deemed irrelevant in this context; mandatory changes tend to be superficially implemented and do not translate into a significant shift in committee members' ways of thinking and doing. However, our interviews point to one specific area where substantive change developed, that is to say committee members' views regarding the association between audit fees and audit quality. As such, our paper consolidates literature on trials of strength in bringing further light on their complexities – specifically in showing that trials can be tentacular (being loosely related to one another), paradoxical (generating resistance and compliance simultaneously), and secretive (taking place behind closed doors). Implications in terms of democratic governance are discussed.



**Keywords:** Audit committee; corporate governance; Logic of compliance; Logic of resistance; Regulation; Trials of strength

## Introduction

It is often understood that dramatic business failures and corporate malfeasance cause investors and regulators to publicly question the integrity of the actors involved in the system of financial governance and reporting. When a new scandal occurs, reassurance is expected and deep-level changes are demanded. Authorities often respond to these calls through the issuance of new standards and regulation. However, in spite of more comprehensive standards and regulation, new acts of malfeasance are incessantly exposed (Zeff, 2003a and Zeff, 2003b) and the interplay between new prescriptions and scandals continues (Humphrey et al., 1992). One may therefore wonder about the effectiveness of prescriptive responses adopted in the aftermath of corporate scandals.

In reaction to accounting scandals exposed at the beginning of the 21st century, new regulations dealing with auditors and audit committees have been promulgated in many countries (e.g., the Sarbanes–Oxley Act of 2002 in the US; Instrument 52-110 in Canada).[1] The new regulations are consistent with a dominant trend in regulatory philosophy, which favours the preventive effects of sound governance practices over active deterrent mechanisms ( ). Various prescriptive sets of best practices regarding audit committees were also concurrently issued by accounting firms and other stakeholders.

These post-Enron regulations and best practices seem motivated by a will to govern, from a distance, methods of conduct of auditors and audit committees. However, prescriptions have limitations since they are necessarily interpreted and enacted by complex and oftentimes unpredictable human beings (Crozier and Friedberg, 1980). In particular, gaps may exist between the meanings of the prescriptions as interpreted by agents in the field versus those intended by the original instigators. We therefore view the interpretation of meaning as an essential element in understanding how agents react to corporate governance prescriptions. Our task is to examine how regulatory prescriptions and best-practice discourse promoting a strengthening of audit committees' work, in the aftermath of the 2001–2002 financial scandals, were received by audit committee members. The latter

[1] Hart (2009) argues that while the core ideas behind SOX had developed for years, politicians had chosen regulatory inaction until they felt that pressures from the public, interest groups and within their own parties required them to move formally.

play a key role in implementing, re-embedding and translating the prescriptions within the boundaries of the corporate boards on which they sit. Committee members should not be viewed as docile implementers; they can accept, reject, ignore or transform the prescriptive claims promulgated in the aftermath of the collapses of Enron and Arthur Andersen.

While some researchers have begun to examine the impact of post-Enron prescriptions, for example in terms of company profitability (Arbogast and Thornton, 2006 and Leuz, 2007), by and large little attention has been devoted to the mechanisms by which prescriptive reform is received by actors in the spotlight of their own practice. This neglect is not constrained to the Enron saga – but applies to business prescriptions in general (Cooper and Robson, 2006). In terms of contributions, our paper can also be seen as an empirical extension of O'Connell's (2004) argument, which invokes the possibility of post-Enron reforms being severely limited in engendering meaningful change in the business community.

Our interest in the dynamics of prescription is consistent with Thompson (1997), in recognition that it is subject to change and contestation, influence and control. Drawing on Gendron and Bédard (2006), we argue that the perceptions and practices of corporate actors involved in applying and translating corporate governance prescriptions within public companies are very relevant to the development of a better understanding of the processes by which corporate governance is enacted in concrete settings. Informed by the notion of trials of strength (Latour, 1987), our paper investigates how prescriptive ideas initiated by legislation and best practice pronouncements are put through a series of tests involving a constellation of audit committee members, whose outcomes can strengthen or weaken the rhetorical power of the prescriptive claim. While the notion of trials of strength is drawn from actor-network theory (ANT), our conception of trials is however broader than that typically sustained in the ANT literature, in that we do not constrain the actors involved to the role of proponent or dissenter. We argue that trials of strength consist of confrontations between different logics – in our case those of compliance and resistance. Although logics are necessarily conveyed through the thoughts, speeches and actions of the actors involved in trials, actors' role cannot be easily categorized as being that of proponent or dissenter

since they may adhere simultaneously to contradictory logics, being torn between conflicting viewpoints regarding the appropriateness of the claim (Gendron, 2002).

Our paper should not be viewed as one which mobilizes a comprehensive version of ANT. Complexities underlie the debate on the appropriateness of using certain concepts excerpted from a comprehensive system of thought in a piecemeal way (Malsch et al., 2011). Our position on the matter is similar to that of Haggerty and Ericson (2000, p. 608), in that our theorizing is in keeping with a "philosophy which animates one to 'think otherwise': to approach theory not as something to genuflect before, but as a tool kit from which to draw selectively in light of the analytical task at hand."

Our investigative task is sustained through a series of interviews with Canadian audit committee members of public companies. The emphasis is how interviewees react to prescriptive discourse surrounding the role of audit committees in the post-Enron period, and how their interviews reflect logics of compliance and resistance. A central assumption underlying our study is that the construction of prescriptive claims and reactions are not tightly constrained by geographical boundaries. Indeed a network of regulatory prescriptions quickly developed at the international level following the promulgation of the Sarbanes–Oxley Act of 2002 (SOX) in the USA; various countries (including Canada) rapidly engaged in a demonstration of institutional isomorphism by adopting relatively similar prescriptions. Furthermore, our interviewees were well aware of, and frequently referred to regulatory developments in the US. The trials of strength that we examine therefore relate to prescriptions and reactions which are not specifically bounded by a rigorous sense of Canadian territoriality. In so doing, our focus is on understanding how corporate governance actors react to a network of prescriptive claims that was, at the time of the interviews, developing momentum at the international level. This being said, we recognize that some territorial nuances inevitably characterize our interviews. A few quotations below indeed imply a nationalistic sense of us and them – but the vast majority of the quotations do not involve geographical differentiators. It is also important to note that the patterns we uncover relate to a specific time frame: about two years after the collapse of Arthur Andersen. Trials are rarely, and perhaps can never be, totally conclusive.

The paper is organized as follows. The next section describes the flow of calls for regulatory and institutional change surrounding audit committees ensuing from the collapse of Enron and others. We then introduce our frame of reference centred on the notion of trials of strength, and describe our data collection and analysis procedures. Interview data is then offered and considered under "Section 5.1", "Section 5.2", and "Section 5.3" sub-sections. The last section presents our conclusions and reflects on key implications ensuing from our findings.

**Crisis and discourse urging for change**

Enron's unexpected bankruptcy generated in the media a massive repertoire of representations which attacked the legitimacy of various economic and political institutions (Craig and Amernic, 2004). Auditors were particularly criticized, especially after Enron's external auditor, Arthur Andersen, revealed (January 10, 2002) that a number of its members had destroyed, between October and November 2001, a significant number of documents related to Enron (Piaget and Baumann, 2003). The collapse of WorldCom in the summer of 2002, another client of Arthur Andersen, reinforced the negative stereotyping surrounding the accounting firm's name.

Audit committees were not exempt from criticisms in the Enron saga. For instance, a *Wall Street Journal* article from February 2002 blames Enron's audit committee for leniency and lack of independence, as depicted in the following excerpt:

> *"When the board audit committee of Enron Corp. gathered for a regular meeting at its Houston headquarters a year ago, the session should have been anything but routine. After all, Enron management wanted a blessing for every transaction during 2000 between the energy-trading company and two partnerships run by then-Chief Financial Officer Andrew Fastow. The controversial partnerships kept significant debt off the books, pumped up profits – and earned Mr. Fastow more than $30 million. Yet committee members, all of them outside directors, didn't challenge a single transaction, according to knowledgeable people and excerpts of the Feb. 12 [2001] meeting's minutes. Their indifference wasn't a complete surprise. The full board twice had taken the rare step of suspending the corporate-ethics code, so Mr. Fastow could head the partnerships." (Lublin, 2002)*

Audit committee reform was thus seen as part of the necessary package of solutions to implement in order to prevent similar happenings in the future (e.g., Eaglesham and Parker, 2002 and Mills, 2002). Overall, the impression that emerges from these documentary sources is that ethical lapses needed to be reined in and expelled from the corporate governance domain through substantial reforms.

The United States was particularly swift in issuing new corporate governance regulation in the aftermath of the Enron's downfall. SOX was signed into law on July 30th 2002, eight months after Enron filed for bankruptcy and only a few weeks after the WorldCom scandal was revealed. Dealing with several areas of interest to financial auditors, it also increases audit committees' formal duties. Audit committees are required to pre-approve audit and non-audit services provided by their external auditor. They are given the power to engage independent counsel to assist them in their functions. Committees are also required to oversee processes regarding the requirement for management to produce an assessment of the company's internal control for financial reporting (Section 404 of SOX), and to supervise the external auditor's work on the matter (Foley and Lardner, 2008). The following is perhaps the most significant new prescription targeted at audit committees ensuing from SOX:

> *"The audit committee of each issuer, in its capacity as a committee of the board of directors, shall be directly responsible for the appointment, compensation, and oversight of the work of any registered public accounting firm employed by that issuer (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and each such registered public accounting firm shall report directly to the audit committee." (Congress, 2002, p. 32)*

In sum, the discursive environment was then urging audit committees to become more diligent in fulfilling their duties. Accordingly, the following excerpts from *The Wall Street Journal* emphasize that substantive change was expected from audit committees:

> *"As companies digest new federal legislation and stock-exchange rules that seek to prevent more corporate scandals, executives are trying to figure out what to pay board members for the extra duties that are virtually certain to emerge in coming months. Much of the extra burden is expected to fall on board audit committees, which already are conducting longer and more frequent meetings." (Sidel, 2002)*

> *"Federal securities regulators, under orders from Congress to clean up corporate accounting following the Enron Corp. debacle, proposed stiff rules aimed at bolstering the independence and authority of public-company boards. The proposal, approved unanimously by the Securities and Exchange Commission yesterday and now pending public comment, seeks to involve directors much more directly in the oversight of their company's finances. It requires that board members who serve on corporate audit committees be independent of management and have responsibility for hiring, firing and supervising outside auditors." (Schroeder, 2003)*

Generally speaking, more rigor and diligence were expected of audit committees from a regulatory viewpoint. Best practices were also promoting a similar movement. For instance, accounting firm Deloitte & Touche issued in February 2003 an *Audit Committee Resource Guide* (Deloitte & Touche, 2003), which praises the Securities and Exchange Commission for having done a "remarkable job in promulgating new rules to implement the provisions of the Sarbanes–Oxley Act of 2002" (foreword). In the document, deep-level changes are expected from audit committees in order to comply with the new regulation:

> *"Audit committee members are in the process of implementing the new requirements to fulfill investor expectations and protect shareholder interests. They are also seeking resources and tools to assist in executing their new responsibilities effectively and efficiently. Deloitte & Touche is committed to helping audit committee members and management remain apprised of emerging requirements and trends. The Audit Committee Resource Guide is designed for that purpose. This document presents a history and overview of the new requirements and, more importantly, emerging best practices and specific steps for your consideration." (Deloitte and Touche, 2003, p. 1)*

New discursive imperatives being deployed on audit committees were not constrained to the USA. The scope and violence of the Enron scandal (Guénin-Paracini and Gendron, 2010) extended geographical boundaries, translating into regulatory reform in a variety of countries. In particular, Canada isomorphically engaged in regulatory change to address Enron issues, with the adoption of instruments 52-108, 52-109 and 52-110 in 2004. Independence rules were adopted at the beginning of 2004 in order to prevent financial auditors from providing a variety of non-audit services to auditees. Of course, discussion and debate preceded these regulatory changes. As early as 2002 in a meeting of more than 100 of Canada's top corporate directors held by the Institute of Corporate Directors and the Canadian Institute of Chartered Accountants, a number of audit committee members discussed the key role that audit committees play in the financial reporting process, and

how their role is affected by the Enron and WorldCom scandals. Participants also deliberated about best practices to strengthen audit committee effectiveness and corporate governance. As reported in Canada NewsWire in the lead-up to the meeting, Forum Honorary Co-Chair Claude Lamoureux claimed:

> *"The era of structural and cosmetic change is behind us. It's time to get serious about corporate governance and bring about change that matters." Forum Honorary Co-Chair Richard Haskayne commented, "Confronted with a difficult decision, do not ask, 'Is it legal?' but rather, 'Is it right?'" (Canada NewsWire, 2002)*

Furthermore, Canada had a significant financial scandal with Nortel, which announced in October 2003 that it had to restate its 2000–2002 financial statements. It can therefore be argued that a discourse urging for significant changes in practices of audit committees was developing, post-Enron, through a series of regulatory and best-practice pronouncements within North America and beyond. Not only was the audit committee directly impacted by specific aspects of regulation (e.g., preapproval of non-audit services) but the committee was also expected to play a significant oversight role in ensuring that processes regarding other financial regulatory prescriptions were applied rigorously by management and the external auditor (e.g., audit partner rotation; assessment of internal control for financial reporting). In sum, the general call was a need for audit committees to become more diligent and assiduous.

**Theoretical perspective**

Regulation is a central feature of society (Baldwin and Cave, 1999) as it influences the creation and maintenance of social order. Although regulation has for a long time played a pivotal role in the economy (Baldwin and Cave, 1999), most observers would agree that its importance today is reinforced as a result of scandals involving organizations such as Enron and Arthur Andersen. However, prescriptive claims are not only conveyed in contemporary society through formal regulation – but also through best practice pronouncements developed by a variety of think tanks, professional service firms, etc. One of our main methodological assumptions is that any prescription (in the form of regulation or best practice pronouncement) takes a position or makes certain claims regarding the object it

aims to govern (Flottes and Gendron, 2010). In our study, the claim is about the need for audit committees to strengthen their work and practices in light of Enron's collapse.

Prescriptions do not have a deterministic impact on human behaviour; in each situation humans have some margin of manoeuvre which they can use to invent responses depending on the circumstances of the system in which they are situated (Crozier and Friedberg, 1980). In other words, the implementation of prescriptions is a dynamic and complex process, always subject to change and contestation (Thompson, 1997). Sense-making is ineluctably mobilized in the process. In a similar vein, Cooper and Robson (2006) maintain that actors in the field have significant discretion as to how prescriptions are interpreted and implemented, and they call for researchers to study these processes. Will audit committee members accept a reinforcement of their role as defined by the prescription's instigators? Compliance should not be taken for granted (Akrich et al., 2002).

The conflicting dynamics of implementation can be apprehended from the conceptual gaze of trials of strength. The concept of “trial of strength” (Boltanski and Chiapello, 1999 and Latour, 1987) on which we draw to develop our perspective of analysis basically refers to what happens when forces meet. That is, trials can be understood as tests of claims, in which actors involved in a given area assess the appropriateness of a claim (in our case a prescriptive one).

While a number of trials of strength are institutionalized as formalized social arrangements regulating debate on the merit of particular claims (Bourguignon and Chiapello, 2005), in our study the emphasis is on informal trials, which better fit our case as the post-Enron prescriptive claims within the audit committee community were assessed through a network of loosely connected trials, taking place in a relatively uncontrolled and uncoordinated manner. Such trials are moments of confrontation that are not institutionalized, controlled, codified or regulated but in which a testing of strength occurs (Bourguignon and Chiapello, 2005). Not only are individuals involved in such trials – but the viewpoints, broader discourses and philosophies which they (consciously or not) mobilize are also inherent to these tests. Trials can therefore be viewed as involving people, discourses, types of knowledge and, in the context of the present paper, logics. Accordingly, we are especially interested in examining how trials gave rise to a

confrontation between logics of compliance and resistance towards the appropriateness of the prescriptive claim which targeted audit committees. The outcome of these trials can be a strengthening or a weakening of the claim's legitimacy and ascendancy over the targets of prescription.

While trials of strength are often characterized as involving proponents and dissenters, we argue that trials in the field do not necessarily fit the imagery of arenas involving actors whose allegiances are unambiguous. Actors are not necessarily bounded to a single viewpoint; they can have contradictory views on a given claim. Our point is that promotion and dissension should rather be seen in terms of logics conveyed through the actors' interpretive schemes, speech and behaviour. In particular, actors may simultaneously adhere to contradictory logics, torn between conflicting viewpoints regarding the appropriateness of a claim.

Hence, our analysis is focused on the statements and questions of targeted actors who come to interpret and act upon new prescriptions in their professional lives. For the sake of demonstration, we assume that at the root of the process are instigators who develop a new corporate governance prescription in the aftermath of a scandal. Once officially issued, the prescription and its underlying claims are subjected to trials of strength, whereby the targeted audiences seek to assess how to make sense of the new prescription, whether it should be rigorously followed or not, and how.

We maintain that the audit committee community is permeated by a constellation of internal relationships. Not only do committee members regularly work in small groups (board and audit committee) but they also relate to other community members in less formal ways such as hallway discussions, director conferences, and specialized training. Prescriptive claims concerning the role of the audit committee therefore give rise to a series of loosely connected trials of strength within the audit committee community. These trials are not organized or formalized, and occur through a diversity of experiences taking place in the flow of everyday life of audit committee members. Trials occur, for instance, through members being informed of some new regulation and reflecting on their own on the pertinence of the regulatory claim. Trials also take place in the context of small group discussions, for instance during audit committee meetings where members discuss and

evaluate the appropriateness of a particular claim. Trials are not independent from one another, as interpretations and conclusions reached in one trial can be communicated, through speech or otherwise, to members of other audit committees.

Prescriptions are therefore construed, contested, resisted, negotiated and realized in empirical arenas, through trials of strength. Change may be the outcome of such trials – yet change is a very complex notion. In our view, compliance implies substantive change while resistance involves ignorance or superficial endorsement. Change is substantive when it impacts the self, the soul, and one's ways of knowing and interpreting the world (Flyvbjerg, 2001). Change is denied when actors basically ignore the claim. Change is symbolic when actors in the field comply in appearance with some prescription – but their ways of thinking and doing are not transformed as a result of the new legalistic ritual being performed (Meyer and Rowan, 1977). The logic of resistance may therefore emerge through an organization's superficial adherence to prescriptions. Research indeed shows that discourses urging for substantive change often result in concrete practices being superficially modified (Humphrey et al., 1992 and Moore et al., 2006). What seems to matter is the creation of illusory movements that reassure the public that the problem at the source of controversy is resolved.

With these conceptual tools, our analytical gaze is focused on the loosely connected trials of strength which took place quite informally within the audit committee community, subsequent to the development, post-Enron, of a prescriptive discourse urging for a reinforcement of the role of the committee. To what extent are the trials of strength reflective of logics of compliance and resistance? What implications ensue from their respective degree of influence?

**Method**

Underlying our data collection and analysis is the aspiration to explore how audit committee members react to new prescriptive claims in times of turbulence, through the examination of interpretive patterns among different flows of experience. The main data collection mechanism employed consists of semi-structured interviews conducted in 2003–

2004 (Table 1).[2] The interviews were part of a larger programme of research devoted to explore more than 60 participants' views regarding the collapses of Enron and Arthur Andersen and their consequences. Ten of these interviews were conducted with audit committee members of Canadian public companies (listed on the Toronto Stock Exchange). These interviews retrospectively take on special significance in the context of the present study as one of the most significant patterns emerging from our initial analysis of the transcripts, is the extent to which committee members seek to maintain their ways of thinking and doing, in spite of the numerous surrounding calls urging for substantive change. As such, we felt there was enough substance in the interviews with committee members to meaningfully address issues of change and reproduction in a context of turbulence. The focus on Canadian companies was considered for both practical (one of the authors lived in Western Canada where most of the interviews were held) and substantive reasons (at the time of interviews, the Enron saga and various regulatory proposals, quite similar to SOX, were widely discussed in Canada). Six individuals were persons of our acquaintance while the others were identified through snowball procedures. As indicated in , eight interviewees hold a professional accounting designation – this high proportion needs to be taken into account when interpreting our findings. Collectively, the ten interviewees were involved on boards of 31 organizations at the time of the meetings. In particular, they were then reportedly serving on the audit committee of 28 (last column of Table 1) of these organizations, of which 20 (out of 31) are publically traded. Eleven of these public companies are cross-listed in the US. Given these linkages and our theorizing of trials of strength as loosely connected tests taking place within the audit committee community, we maintain that the ten interviews provide information on trials which exceed Canadian boundaries – reflecting to some extent interpretations and ways of thinking which were then developing at the international level. In addition, various industries are represented, such as banking, insurance, retail, communications and energy.

Insert Table 1 here

[2] At the time of the interview, AC9 was not member of any audit committee. We deemed her/his interpretations relevant, however, given that as chairperson of several public company boards s/he regularly attends audit committee meetings. Moreover, s/he was member of several audit committees in the past.

Semi-structured interviews were carried out to allow audit committee members to express themselves according to their own interpretive schemes. Among the most critical issues discussed with the participants is the extent to which their ways of thinking and doing, as committee members, changed as a result of the financial scandals and the promulgation of new regulatory and best practice prescriptions. We also enquired about the following: background information on professional career and board involvement; viewpoint regarding auditor trustworthiness; and views regarding the collapse of Enron and Arthur Andersen. In the vast majority of the interviews we let participants discuss these themes extensively, asking from time to time questions consistent with the flow of their thoughts. Before the end of each interview we ensured that all of the main elements included in our listing of predetermined themes had been covered. Duration of the interviews lasted, on average, between 60 and 75 min.Measures to ensure the trustworthiness of the study were incorporated from the outset in the interviews. We began each interview by describing the objective of the research and by introducing an informed consent form, which both the interviewer and interviewee needed to sign. In particular, we asked interviewees for permission to tape the interview, while emphasizing that complete anonymity would be provided to them, their current employing organization, and the boards on which they sit. All participants agreed to the taping of their interview. Participants were also told that they would have the opportunity to subsequently verify the accuracy of their transcript and add changes that they felt might be needed to make them comfortable with what they said during the interview.[3]

The transcripts were analyzed using qualitative procedures (Miles and Huberman, 1994 and Patton, 1990). We used a coding scheme developed while reading the transcripts to increase data sensitivity. Subsequently, a conceptual matrix was prepared for each interview, to summarize the main themes discussed by interviewees. Recurring themes in interviews were then brought to light and evaluated.

[3] Five interviewees provided us with a revised transcript. Only minor modifications were made in four of those transcripts. One transcript, however, was significantly reduced through deletion of certain anecdotal events or views which might be construed as politically incorrect. In accordance with our ethical commitment, we used in our analysis the modified transcript when one had been provided by the interviewee.

## Confrontation surrounding a transformative discourse

A network of prescriptive ideas promoting substantive change in the domain of corporate governance swiftly developed in the aftermath of the collapses of Enron and Arthur Andersen. These ideas were pushed forward through new governance regulation and pronouncements of best practices represented as a means to reduce the frequency of financial scandals. However, our analysis indicates that calls and initiatives aimed at strengthening practices within audit committees often resulted in trials of strength characterized by resistance and superficial adherence. One of the dominant patterns emerging from our analysis is the propagation of a prescriptive agenda for reform not having engendered a wave of substantive change in interviewees' ways of thinking and doing – in spite of committee practices having changed in the domain of appearances. Interviewees are generally confident about the effectiveness of the audit committees on which they sit, and the ineffectiveness of regulation in strengthening the effectiveness of these committees.

As such, our analysis below articulates doubts expressed by committee members regarding the appropriateness of post-Enron calls to strengthen their ways of thinking and doing. However, some indications of a logic of compliance were found in the interviews, especially regarding members' views on the association between audit fees and audit quality. Although patterns of resistance dominate in the trials of strength we examined, dominance does not imply exclusiveness and monopoly.

### *Resistance to governance prescriptions*

Although official discourse exposes corporate governance prescriptions as key to eliminating management malfeasance, our analysis indicates that actors within audit committee settings often oppose the thrust of governance reform, especially when it is conveyed through regulatory means. Unsurprisingly, interviewees did not point out instances in which their audit committee blatantly refuses to abide to regulation or follow best practices. The negative viewpoint they express about regulation implies, however, lip-service implementation, thereby weakening the ties between the claims of important transformations being needed and their enactment by audit committee members. Resistance

for example, is shown in statements denying regulation as a viable solution to improve financial reporting:

> *I think that […] the institutional investors like the regulation because they think it will stop the problems. I don't. I think they [regulators] are just trying to say we want you to do your work. That is my fear about regulation. I don't think it is wrong because it is reminding everybody there are laws in the country but it is not going to stop fraud. They [regulators] respond to a problem. And what we should be doing more is anticipating what is an environment that promotes trust and honesty in a business. Maybe this is where I am a little naïve, but I don't think you can regulate trust and honesty. (AC2)*

> *We have lots of laws against killing but it hasn't stopped people from killing. (AC6).*

These two excerpts express doubt regarding the power of regulation in strengthening the abilities of audit committees to detect fraudulent financial statements. Although the association of criminal law against killing with corporate law against unethical business may sound incongruous, it nonetheless implies a sense of regulatory powerlessness in controlling the spread of deviancy in society.

Interestingly enough, the pendulum metaphor is used several times across different interviews to justify and mobilize resistance against what is viewed as excessive regulation. For instance:

> *There has been a bit of overreaction which is natural and the pendulum has gone a long way out. I don't disagree with the financial literacy test. I think an audit committee should obviously have some financial expertise. However, I would be very concerned having six chartered accountants as my audit committee. So I think there has got to be some flexibility built into the process to recognize that there are some unique circumstances. But Paul Sarbanes and Michael Oxley were both running for re-election and made a cause célèbre out of it and Eliot Spitzer in New York has greater political aspirations than that. So we probably overreacted there… Spending 80% of the audit committee's time or board's time with governance issues maybe isn't the answer either. We have gone too far on the spectrum with policies and procedures and not enough with kind of reality in place as to say what are the operations, what are the features in the operations. And I think that is what is happening on a lot of boards, getting too far into one feature and not enough on a broader approach to issues. (AC7)*

In the above excerpt, post-Enron regulation is negatively considered through ties being constructed between regulatory change and petty political interests. Further, the imagery of the pendulum being too far can be seen as a rhetorical strategy used to mobilize resistance in corporate governance circles against what is assumed to be ineffective, unrealistic or deficient regulation. As mentioned in the quote, the key idea is to preserve holistic and flexible approaches to corporate governance while avoiding a procedural fascination about tiny details. Accordingly, several interviewees are keen to criticize specific features of the Sarbanes–Oxley Act which they view as hindering sound governance practices:

> *And then we go around narrowly talking about this partner rotation. It is one thing to do rotation when you have got a big [audit] firm and many people in an industry specialty. But in Canada you may have only two or three partners who understand the industry and they [regulators] kick them out of the thing on a rotation because there might be a conflict. Then you destroy the very ability for them to do a proper job. (AC6)*

An indication of lip-service compliance is found in the following quote, in which the interviewee mentions some benefits ensuing from post-Enron regulation which requires internal controls being assessed and audited (Section 404 of SOX) – but then rapidly stresses key concerns:

> *Interviewer: So you think this regulatory emphasis on internal controls is not likely to generate any results?*
>
> *Interviewee: Well it is changing the cultures. So that people, the CEOs know they are signing off and the CFOs are signing off. And they are taking that more seriously. And so the positive thing is that they are documenting their processes of internal controls. And out of that the positive feature will be that they […] put the controls into the line, which is where the controls have to be. [This is good] as long as it doesn't destroy the ability of the firms to produce. That is the great danger. Further, internal controls aren't going to catch the thieves. (AC6)*

Relying again on the rhetoric of overreaction, another interviewee is doubtful of the benefits of requiring the assessment of financial controls:

> *[About Section 404 of Sarbanes–Oxley which requires internal controls to be assessed and audited], I mean, is it the right one or are we overacting? Clearly, internal control is very important and I am not trying to downgrade that.*

> *However, the features you have to go through to get to the answers are going to add a huge cost onto companies. I can't remember if it was EDS or one of the high tech outfits, had an internal audit department with 3 or 4 people and as a result of 404 and SOX they are going to end up with about 40 people in internal audit. […] I mean, nothing focuses the CEO or the CFO's mind more than to know they could be charged criminally if they sign a false certification. That is probably a bigger deterrent than 404. (AC7)*

To this interviewee, internal control being assessed and audited is not adding incremental value to the signature of the CEO and CFO who may be charged criminally if they falsely depict the effectiveness of their corporation's internal control. Regulators should therefore devote their energies to prosecuting wrongdoers, and let auditors and board members oversee corporate behaviour.

Another resistance strategy mobilized by interviewees is conveyed in statements relating to the inevitable reality that history will repeat itself; in so doing regulation is represented as an ineffective means to solve challenging and enduring problems. Indeed:

> *We talk about this as if it was a new found issue. You know, thieves are thieves. Promoters are promoters and we forget that the promoters started in the 1600s. We just forget our history of all these things. And there are common characteristics in these kinds of guys. They are high promoters that look like they are unassailable during their pinnacle. (AC6)*

> *We are trying to avoid ever again have an Enron happen and one thing I can guarantee is there will be another Enron at some point. (AC1)*

Finally, some members view their presence on the audit committee as substantiation to the effect that risk is minimal, therefore validating the ineffectiveness of regulation in ensuring adequate reporting:

> *So I am looking at it from a practical standpoint because I don't think you will ever make enough rules to make honest people out of dishonest people. I don't think you can do it. […] If I believe they are trying to cheat and lie in this company I shouldn't audit it, I shouldn't be on the board, I shouldn't be on the audit committee, I shouldn't invest in it and I should be out of the thing altogether. (AC3)*

For this interviewee, ethics is beyond the scope of regulatory powers. Instead, the purpose of boards and committees is to assess and filter others' trustworthiness by following the intuitive feelings and inside cues they have on the matter.

In sum, a key pattern of our interviews consists of audit committee members adhering quite firmly to a logic of resistance towards the post-Enron prescriptive discourse surrounding the role of the audit committee.[4] While audit committee members have an obligation to formally abide by new regulation, such an environment provides conditions of possibility for lip-service endorsement and loose coupling ( ).

***Rhetorical strategies underlying resistance***

In opposing the network of prescriptions imposed on them, interviewees frequently mobilize certain rationales to justify their stance. In particular, interviewees often argue that accounting and audit failures are isolated events. Importantly, their own environment is viewed as being immune from such abnormalities; in so doing, they distance themselves from disgrace and calls for reform:

> *I know they are isolated situations. And sure you get the Enrons of the world that is a simple situation. They were just crooks and should be just thrown in the slammer with the key thrown away. The justice system takes too long and is too wieldy. The Enrons of the world are terrible and they should be dealt with swiftly and sharply, but that doesn't paint all the other companies which have always practiced good corporate governance. (AC4)*

This quote is representative of a key trend in our data, namely, that although regulation is deemed ineffective in productively influencing the work of the audit committee, the legislator is viewed as having a key role to play in punishing unethical individuals found to have been involved in white-collar crimes. Impure actors need to be banished from the vast majority of morally pure ones.

Interviewees also individualize the collapse of Arthur Andersen, viewing the deficient audit of Enron as ensuing from the actions of a few atypical and immoral local auditors. For instance:

> *The individuals who were involved in Andersen obviously didn't uphold the kind of standards that the industry and the regulators and the shareholders and directors would have liked Andersen to have upheld. Was that indicative of*

[4] Of course, through their quite negative reactions, audit committee members participate to the constitution and reproduction of neo-liberal discourses which promote laisser-faire and deny the need for regulation within the jurisdiction of business.

> *Andersen as an auditing company? I don't think so. I think it was indicative of those individuals in that instance. (AC10)*

> *The Enron auditor, as things come out, seems to have been a rogue auditor. I personally don't think the whole Arthur Andersen firm should have come down because of him. I see what happened as a political response. It seems to me very bad business to have killed the firm. I just don't believe that what was happening in Houston was throughout the firm. (AC5)*

This form of rationalization has two consequences: the first allows the legitimacy of the auditing function to be maintained in spite of occasional failures; and the second allows interviewees to be critical of regulation aimed at strengthening the external audit and audit committee functions. Even members having had Arthur Andersen as auditors do not question the basic assumptions they have about auditors in light of the firm's downfall. For instance, the following interviewee highlights that s/he was involved in two audit committees having Arthur Andersen as external auditor; s/he was relieved to see that the two partners-in-charge at Arthur Andersen moved to Deloitte & Touche, therefore allowing for continuity:

> *So when Deloitte got involved we were quite happy to see that some of the people stayed on. [In corporation A] the Andersen partner that was responsible for this job went on to Deloitte as did the partner in [corporation B] – so very much continuity was key. We weren't concerned about quality or anything because we had a chance to assess them. So in both instances we took on Deloitte as the auditors for continuity reasons primarily. They were very competent and we were pleased with their performance. (AC7)*

It therefore seems that face-to-face contacts provide the interviewee with a sense of effectiveness regarding the ability to assess auditors' competencies and ethics. In sum, one of the main features inherent to our data is the extent to which interviewees rationalize the collapse of Enron and Arthur Andersen as idiosyncrasies which have no links to their reality as audit committee members.

Consistent with the construction of individualized interpretations of the breakdown of Arthur Andersen, interviewees also tend to believe that society was too harsh in the penalty imposed on the firm. They maintain high regard towards the institution in charge of auditing Enron's financial statements:

> *Andersen was maybe a kind of a rogue element in an office that got caught up in the issue. But I don't think anyone questioned Andersen's kind of expertise. They were highly regarded. They were one of the prime firms in North America. They had a strong training program. They had their own campus in Chicago. They were highly regarded and this thing hit and they kind of got decimated with it. So I think even today, by and large I think people still get a healthy respect for the firm and its qualities and independence. (AC7)*

As interviewees are asked to reflect upon the outcome of the Enron affair, they tend to acknowledge unfairness in society having put the blame almost exclusively on Arthur Andersen and the accounting profession (Guénin-Paracini and Gendron, 2010):

> *We are going to be great losers because the scales are dis-balanced between the attest function and the other players in the scheme. That is why, to me, layering another timber on top of the poor auditor when all the other people are playing that game, and you see the lack of ethics in the investment bankers and lawyers, on the mistrust that is there, self-serving stuff that is still there, we are focusing inappropriately on the auditor who is only in the focus because he is stupid enough to give an opinion. … [Journalists] love to kick the auditors. But they are not kicking the investment banks and they [only] have millions of dollars in fines. If you could weigh the level of the error [attributed to auditors] that, to me, is small potatoes compared to investment banks that created maliciousness in a highly technical structure to do finance. (AC6)*

As indicated in the last sentence of the above quote, AC6 is probably one of the few persons to have anticipated, several years ahead, the extent of the 2007–2009 financial crisis. Still in the same interview, additional regulation is not depicted as a prime solution to bring order in turbulent capital markets; instead the interviewee stresses that investors should bear the costs since they naïvely invested in unethical firms:

> *They [people] have forgotten it is the abuser [i.e., unethical top executives] they should be after. These [auditors] are the people who tried their best to detect it. And so we have the wrong focus. It makes a great headline to blame the auditors all the time. When [investors] went after Bre-X, they were motivated by greed. The investors of Enron, they were motivated by greed. And then when it didn't happen they want someone else to blame. They should be blaming themselves. (AC6)*

Interviewees are therefore characterized with a tendency to protect auditors. There is one exception, though, as one of our interviewees is particularly critical of financial auditing given her/his past experience as an auditor:

> *When I was auditing I uncovered three frauds of varying degrees. And in each case they were not dealt with. One was small, a woman living out of petty cash. The second was someone keeping two sets of books and gave me the wrong set. The third was very big. I led the audit team. I was just a new CA and the firm's response was to pull the team off the job and the partners worked it out with that company. That company ultimately went bankrupt. So I got out of auditing at that point in my career and went into consulting because it was totally annoying experience to work that hard and not have your work go anywhere as one would have expected it to. (AC2)*

These experiences of inaction allegedly influenced the approach used by this audit committee member with regard to dealing with auditors, regardless of rules and best practices prevailing in the surrounding environment:

> *So when I come to the audit committee then I want to know that the people on the team are articulate, the junior people like I was, articulate, confident and will speak up if there is an issue. So way before Enron, when we hired and we ended up picking [Big Four Firm A], I asked each of the major firms: "Do a proposal but at your presentation I want the team who will do the work to be there. And please be on notice they will be expected to speak." Because I have to have confidence that these junior people can look at me in the eye and say there is a problem. (AC2)*

Interestingly, regulatory reform is not mobilized in the above quote as a way to help committee members in overseeing financial auditors. Instead, the interviewee reiterates her/his confidence in auditors' work through the belief that s/he is able to determine whether specific auditors are trustworthy or not from cues obtained through face-to-face meetings. Regulation is not required since board members apparently possess the capacities to differentiate auditor quality.

Another means to justify dissidence relates to a form of powerlessness.[5] That is, change is irrelevant given that audit committees do not have the capacity to rein in evil and malfeasance within corporations:

> *Ultimately it is not sure that existing mechanisms will completely protect us from dishonesty. Someone who wishes to commit a fraud is going to do so. You might realize it but maybe not right away; it may take a certain amount of time,*

[5] Of course, this contradicts the argument made earlier about the perception that no change is warranted given that audit committees are already effective. The human mind quite commonly harbours conflicting and paradoxical attitudes.

> *it may even be very big. Because an audit committee only meets every three months, you may be vigilant, you can ask questions, but things happen. (AC8)*
>
> *As I say if any CEO or CFO or even someone down in the bowels of the company wanted to embezzle some money they could do it. Eventually they are going to get caught, but probably the auditors aren't going to pick it up. They will tell you that in their engagement letter. Board is not going to; it is usually that somebody trips up at the end of the day. If a group of management starts out to conceal or commit fraud or whatever, no matter how independent your committee is or how much power they have, they are not going to be able to find it. (AC7)*

In summary, our analysis shows that interviewees frequently opposed calls to strengthen the role of the audit committee, as expressed in the aftermath of the 2001–2002 accounting scandals. As dissenters, audit committee members produced counterclaims to distance themselves from crisis, particularly through the rationalization of the scandals as instances of atypical behaviour from a few corporate managers and auditors.

***Superficial adherence and substantive change***

Resistance does not imply immobility in the domain of practices. Audit committee practices changed as a number of new regulatory obligations were imposed on committees, such as the oversight of the process by which top management assesses internal control for financial reporting. As mentioned below, other changes that have taken place often reflect a technical and mechanistic approach to manage legal risks. However, our interviews suggest that these changes are often cosmetic and do not entail a substantive modification of members' mindset regarding the role of the audit committee. Interviewees often expressed the belief that the committees on which they sit were effective before the collapse of Enron; hence new ways of thinking and innovative practices are not necessary. In other words, our analysis indicates that the new practices imposed on committees by regulation or other means often translated into superficial adherence – as a burden which needs to be ritualistically performed without members' interpretive schemes and ways of thinking being significantly transformed. While formal adherence to new obligations may be essential to maintain the legitimacy of the audit committee as a pillar of sound corporate governance, the pragmatic value of these changes was frequently questioned by interviewees.

The increasing use of checklists illustrates our point. Recognizing that much of their time was increasingly consumed by obligations to conform to legalistic issues, audit committee members deplored the arrival of new technologies such as extensive checklists as a means by which they can legally demonstrate an absence of negligence on their part, if a scandal or lawsuit were to be brought forth. A number of interviewees stressed that the post-Enron climate unfortunately translates into a legalistic and defensive approach having little to do with enhancing financial reporting and more to do with the ritualistic collection of legal evidence — as indicated below:

> *What we should be doing in an audit committee is really questioning, really trying to understand whether things are properly disclosed, whether they are true […]. One of the problems with all these new rules is, I fear and always have feared that you get too much of a "you have to cover yourself" mentality. I mean, Enron looked good on paper. You could have said that they were an absolutely wonderful audit committee and I can make any audit committee look absolutely wonderful if I want to, but it doesn't say I am doing my job. We have to spend far too much time worrying about whether you have ticked every box and checked everything. Audit committee checklists have gone to five pages now, and six pages of stuff you should make sure you do. (AC3)*

Contrary to Spira's (2002) argument regarding the procedural production of comfort by audit committee members, interviewees discussed the mechanistic production of legal evidence as a counterproductive burden to the actual production of comfort achieved through substantive work. The checklist is not viewed as a quality-enhancing mechanism, but rather as an annoyance that must be addressed before the true production of comfort begins.[6] The linkage between committee effectiveness and the production of legal evidence is therefore generally opposed to by interviewees. Instead of checklists, interviewees mentioned that they continue to derive comfort in their role as committee members from the asking of "challenging" questions, which they perceive as a key feature of audit committee effectiveness.[7] Indeed:

> *And I think a long time ago, ten years ago [i.e., around 1994], it was more a rubber stamp kind of process and if you had really seriously questioned they*

[6] How and why reliance on checklists expanded within audit committees is an open question – though we surmise that corporate lawyers were possibly influential in promoting their use.

[7] This sense regarding the primacy of questioning is not likely to have emerged as a result of the flow of understandings pertaining to the Enron saga; interviews carried out pre-Enron indicate this was then a commonly held belief within audit committee circles (Gendron et al., 2004 and

> *[i.e., CEOs] thought: "Well you must be questioning my integrity; you must then be questioning what I am telling you." I think we are coming to a point where people realize that it is a process we are going through, and I am going to ask that question whether I think you are the absolute, most honest CEO in the world. But I have to ask those questions. (AC2)*

Generally speaking, our interviews convey the sense of committee members' sustained confidence in their abilities to oversee the reliability of financial disclosures, particularly through the asking of what they perceive as challenging questions. In this context, the post-Enron call to improve practices was not likely to resonate significantly in a community wherein most members already view their work as being pertinent and fairly effective. Members' mindset seems relatively unaffected by the disturbances in the surrounding business environment, although they specify that their audit committee's practices changed in superficial features:

> *I think concerns have not changed a lot. […] I think the way we are carrying out our mandate has improved. But in terms of the fundamental issues that we look at, I don't think they have changed at all. (AC1)*

> *We had good governance practice in Canada for some time. We have dusted them off a bit, fixed and buffed them, so they are fine. (AC6)*

Many other areas of transformation pointed out by audit committee members were peripheral to committees and appeared to have a negligible effect on their core and most substantive activities. For example, AC2 evokes external auditors being more numerous during audit committee meetings: "*Their [i.e., audit firms'] response nowadays post-Enron is to bring in always two partners. That gives me, you know, double zero is still zero confidence that I am truly going to hear what went on."*

The duration of meetings was also invoked when interviewees were asked about the impact of the Enron's scandal on their practices. Again, the sense we grasp from the interviews is one of superficial adjustment.

The duration of meetings is sometimes viewed in research as a proxy as to how "active" an audit committee is (Abbott et al., 2004 and Krishnan, 2005). Our interviews cast doubt on this association. One of the consequences of the checklist approach mentioned above is that meetings are longer, oftentimes much longer than before:

> *Our last meeting, we started at 8 o'clock in the morning and finished at three. And I dare say that going back in time, committee meetings probably in most instances, in many companies would have been an hour and a half, two hours. (AC7)*

However the same interviewee denies any linkage between duration and effectiveness. Longer meetings are viewed as counterproductive, as s/he relates the experience to students having non-stop 7-h classes, where participants eventually reach a saturation point after which understanding is minimal. Resistance to unrealistically long meetings was reportedly organizing at the time of the interviews – one of the basic schemes being to identify first the areas of concern that members have regarding subject matters, and then to focus the discussion and questioning on these items. In so doing, meetings are shortened and participants are brought back in their comfort zone, where they focus on questioning management and auditors on risky and unclear disclosures.

Nonetheless, our interviews point to one specific area of substantive change, that is to say committee members' views regarding the association between audit fees and audit quality:

> *We used to spend our time in audit committees hammering the audit fees down. We never banged down the lawyers' fees but we always took great delight in viewing the auditor as a not very important function. Now, it is a most important function for directors to make sure they are getting input in terms of the attest function. (AC6)*

As depicted by another member, negotiation on audit fees is no longer a primary role for audit committees as fees now tend to be viewed as being positively correlated with audit quality:

> *And the accounting is kind of a rubber stamp thing where the fees in many cases were not particularly adequate to cover what they were required to do. I remember lecturing, when I was an audit committee member, some of the audit committees I was on would start niggling about the audit fees. I would say: "Look, if this company goes tits up, you are going to get no medals for trying to save $250,000 on the audit fee. And I don't say that as an old auditor, I am telling you the important thing we need to know is whether we have had a good audit done." But some people on audit committees felt their mandate was to chisel the auditors down on the fees and they thought that was a great thing to do. [Now, post-Enron], the main thing is that they are not chiselling audit fees*

*[…]; it has driven the audit committees to such a place where they really understand what their liabilities are. (AC9)*

The last two quotations suggest that paying for a good quality audit is more valued than in the past. The growing awareness of legal risks among board membership may have made a number of members realize that quality audits, encouraged through the payment of sufficient audit fees, constitute a useful mechanism in controlling company management and activities.[8]

Overall, our interviews are to a large extent reflective of a logic of resistance towards the prescriptive claim promoting a strengthening of the role of audit committees. Interviewees are often doubtful of the new practices formally imposed upon their committees. These practices do not appear to have significantly modified how substantive issues are discussed and assessed during committee meetings. However, we found indications of compliance in one area of committee involvement: interviewees appear to have realized the importance of paying auditors for quality.

**Discussion and conclusions**

Implementation, translation and adaptation in corporate settings are required for corporate governance prescriptions to become reality. Our study investigates how post-Enron regulatory prescriptions and best-practice discourses, requiring a strengthened role for audit committees, were received by audit committee members. Drawing on the notion of trials of strength, we examine how the prescriptive claim engendered compliance and/or resistance within the audit committee community. As such, our interviews provide information on a series of loosely connected trials. Although our findings are necessarily constrained in terms of representativeness, it can reasonably be argued that the viewpoints provided by

[8] This attitudinal shift should not be understood from a universal perspective. Again, the interviews we use in this paper are part of a broader set of interviews that were conducted with different categories of audit stakeholders subsequently to the collapses of Enron and Arthur Andersen, including financial auditors. In an interview carried out in June 2004, one former Arthur Andersen partner, who joined Deloitte & Touche after the firm's breakdown, commented on the obsession that many audit committees still manifest towards audit fees: “Audit fees may have gone up but there is a huge resistance.”

interviewees reflect a broader set of experiences and trials – given the linkages among members within the audit committee community.

We found that interviewees frequently adhere to a logic of resistance when reflecting on the nature and impact of post-Enron prescriptions. Resistance is often interpretively grounded in an individualization of failure: some immoral or incompetent actors, who are viewed as not being representative of their community, engendered their organization's downfall. Through the construction of exceptions, impurities are expelled from view, thereby allowing established ways of thinking and doing to be maintained. The interviews also suggest that as a result of being able to see other corporate actors' bodies and listen to their speech, committee members are able to separate the wheat from the chaff, especially in detecting cues of immorality and incompetence. Regulation and other prescriptions are viewed as irrelevant in this context.

It can therefore be maintained that interviewees' interpretive schemes and substantive work were not significantly modified as a result of the trials of strength, despite the centrality in the wider discursive environment of a network of prescriptive claims urging for substantive change. It appears that audit committees by and large continue to operate as they were operating before the collapse of Enron. It is as if the collapses of Enron and Arthur Andersen are mainly considered as a learning exercise, which one can add to her/his repertoire of significant issues to watch for, without impinging on the member's sense of effectiveness.

Discourse urging for important change and transformation ensuing from the wave of accounting scandals was therefore often received with scepticism within the audit committee community. No matter whether committee members are right or wrong in maintaining that regulation does not impact their committees' effectiveness, it is worth noting that resistance is possibly fuelled by the naïveté of the present mode of corporate regulation which encourages compliance without the use of significant deterrence mechanisms. Conflicts of interest abound in a system in which the implementation of regulatory prescriptions depends to a large extent on the interpretations and behaviours of the targets of regulation (audit committees), especially when regulatory detection endeavours are minimal.

The preponderance of resistance in our findings however needs to be somewhat tempered. Interviews are to some extent reflective of a logic of compliance in the area of audit fees, where committee members appear to have realized that audit fees are positively correlated to audit quality. Trials of strength did not result in universal resistance. Instead they also engendered some compliance and substantive changes. Trials of strength are therefore paradoxical in their effects. In spite of waves of resistance, our interviews suggest that audit committee members' interpretive schemes are significantly altered regarding one particular area of audit committee involvement.

Our study also illuminates one particular feature of trials of strength taking place within the confines of boards of directors: they are secretive in the sense that they occur behind closed doors. Significant resistance to prescriptive calls developed in the backstage of audit committees. Is the invisibility of resistance a concern to regulators, investors and other corporate stakeholders? Presuming that audit committees matter, that they have more than a symbolic role to play in society, then resistance to prescriptive claims widely endorsed in the broader environment constitutes a social concern. The invisibility issue is compounded by the compliance philosophy which currently prevails in the regulatory sphere, where regulators encourage soft forms of regulation in which companies are asked to establish preventive controls within their organizational systems, and in which deterrence is not a priority (Power, 2000). In so doing, regulators (and the public) are largely kept in the dark regarding the extent of resistance towards prescriptive claims taking place in board settings. While resistance and criticism ensuing from trials of strength can be agents of change within organizations and society (Bourguignon and Chiapello, 2005), it is reasonable to believe that the relative aura of invisibility surrounding the trials we examined blurs the relationship between criticism and social change. Are there ways to provide some visibility on the trials of strength surrounding corporate governance prescriptions? Is this desirable (Roberts, 2009)? Would it make sense to require that regulatory representatives observe a number of audit committee meetings? Would it be appropriate to encourage surveys and interviews to be carried out on a regular basis with audit committee members and other attendees of committee meetings? As such, our analysis extends literature which underlines the limitations and paradoxes of accountability mechanisms in contemporary corporate governance institutions (Power, 1997).

From an academic viewpoint, our paper consolidates literature on trials of strength in bringing further light on their complexities – specifically in showing that trials can be tentacular (being loosely related to one another), paradoxical (generating resistance and compliance simultaneously), and secretive (taking place behind closed doors). Another central feature emerging from our interviews is audit committee members' tendency to protect the auditor. This may be the result of audit committee members being legally responsible for overseeing financial reporting. Thus, by defending the auditor, they protect themselves. It may also be because they functionally rely on their auditor for information and for constructing their own effectiveness as committee member. Another plausible rationale for the shielding of the external auditor may be the effect of professional solidarity or *esprit de corps* as the members interviewed have a history in auditing. Table 1 indicates that a number of audit committee members share university education as well as professional training experiences with auditors. Members' affiliation with public accounting may render them (consciously or not) tolerant of cases of audit failures, while making prescriptive claims for audit committee reform unpalatable. Professional accountants on audit committees may therefore act as a protective belt for the profession's and committee members' claims to expertise. Although the proportion of professional accountants in our database is undeniably high, US data indicates that the proportion of public company audit committees with at least one professional accountant as member doubled between 2002 and 2006, increasing from 20% to 40% (Huron Consulting Group, 2007). More research is needed on the influence of structural relationships on trials of strength taking place in corporate boards.

Finally, the present paper illustrates the contribution that research on the backstage of boards can make to debates on corporate governance and regulation. As argued by Flyvbjerg (2001), research is socially pertinent when it clarifies the problems, risks and possibilities which confront us as humans and societies, thereby contributing to social and political praxis. Our hope is that more researchers in business will devote energies to access and study the backstage of corporate governance, in order to produce research that matters. The flow of prescriptive claims formulated in the aftermath of the 2007–2009 financial crisis constitutes a promising object of study in this respect. How do bank directors react to

the new regulatory initiatives? Are regulators “in the dark” regarding how new regulation is interpreted and implemented in banks?

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## Table 1

## Interview Details

| Date of interview | Interviewee | Professional designation(s) | Whether interviewee worked as a public company CFO/CEO during career | Current job | Number of audit committees in which interviewee is involved at time of interview (public companies as well as private/not-for-profit organizations) |
|---|---|---|---|---|---|
| December 2003 | AC1 | CA | Yes | CFO of large service organization | 2 |
| December 2003 | AC2 | FCA | No | Senior manager of consulting firm | 4 |
| December 2003 | AC3 | CA | No | Senior manager of investment firm | 5 |
| January 2004 | AC4 | FCA | Yes | Retiree and self-employed consultant | 4 |
| January 2004 | AC5 | CA | No | Retiree | 2 |
| May 2004 | AC6 | CA | Yes | Financial officer of large service organization | 3 |
| May 2004 | AC7 | FCA; CPA | Yes | Retiree | 6 |
| June 2004 | AC8 | | No | Senior manager of large service organization | 1 |
| June 2004 | AC9 | FCA | Yes | Retiree | 0 |
| July 2004 | AC10 | MBA | Yes | Senior manager of private holding and investment company | 1 |

**Legend**

CA: Chartered Accountant; CPA: Certified Public Accountant; FCA: Fellow Chartered Accountant; MBA: Master in Business Administration

**ARTICLE 2**

# ILLUSIONS OF CONTROL? THE EXTENSION OF NEW PUBLIC MANAGEMENT THROUGH CORPORATE GOVERNANCE REGULATION


## Abstract

This study investigates the process of adoption of a new governance regulation in the public sector. The empirical setting of this article is the adoption by the Québec government of regulation regarding the role of boards for 24 government enterprises. Building on a Latourian framework, the investigation especially relies on the analysis of parliamentary debates, commission hearings, and interviews with key participants. Plans to "improve" governance were initially presented in generic formats in electoral promises of reform. Plans were then promoted through the construction of linkages with global and local scandals, as well as references to discourses about increasing distrust of public institutions and the absence of markets as a means to control behaviours. My analysis suggests that regulation offered as a "modernization of governance" and viewed as an irreversible phenomenon to which one cannot oppose, may be an illusion of control within the public sector. Ideals of modernized governance continue to spread in society through their construction in "laboratories" (e.g., commission hearings), where effectiveness in various jurisdictions is assumed and not questioned by governance experts, accountants and their technologies.



**Keywords:** corporate governance, change, financial scandals, public sector reform, regulation, translation

## Introduction

Public corporate governance can be understood as the processes by which public sector organizations (e.g. state-owned enterprises) are directed, controlled, and held accountable in ways inspired from private sector corporations. Financial scandals of the last decade have placed boardrooms at the forefront of the battle against fraudulent financial reporting and added responsibilities on the shoulders of the corporate governance actors of publicly traded companies. In the wake of these events, it has been speculated that the control systems in public organizations are similarly flawed and that SOX-type reforms[9], may therefore be necessary in government and non-profit organizations in order to prevent comparable financial disasters (Brown, 2005; Jackson and Fogarty, 2005; Roberts and Candreva, 2006). Speculation translated into action for many state-owned enterprises (SOEs) whose governance has known major inflexions over the last decade with the massive importation of private-sector practices. These "new public management initiatives" are powerful (Free and Radcliffe, 2009): governance is now often understood in financial terms and underpinned by a commitment to permeate the public sector with "best practices" from the private sector (Gendron et al., 2001). As a result, boards of directors in government corporations increasingly emulate private-sector practices in composition requirements (independence, competencies), and are given specific responsibilities in terms of risk management and internal control – the overarching objective being increased efficiency and accountability. However, the importation of such structures and practices has generated spirited discussions in academia over their necessity and their added value in the infrastructure of public-sector governance (Brennen and Solomon, 2008; Clatworthy et al., 2000; Vermeer et al., 2006). What are the rationalities and processes that allow their formulation, transformation and adoption?

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9 SOX is a United States federal law enacted in 2002, setting new standards for all U.S. public company boards, management and public accounting firms. It is named after sponsors U.S. Senators Paul Sarbanes and Michael G. Oxley. The bill was enacted as a reaction to a number of major corporate and accounting scandals including those affecting Enron, Tyco International and WorldCom.

New public management (NPM) is now commonly used as a general descriptor of an influential reform agenda (Humphrey et al., 2005). Managing by results and increased transparency, rather than policy options are frequently used by politicians and public servants as a way to promote efficiency and ideals of reformability to transform public sector organizations, as articulated by Hood (1990, 1995). Often predicated on a functionalist lens, studies on NPM reforms have focused on the effects of field dynamics[10]. Such studies have been very helpful to help us understand how organizations respond in a similar fashion to institutional norms. However, mimitism is not sufficient to fully understand how ideas travel. As a result, little is known of how and why institutionalized practices within a field atrophy or change – in the public sector and also beyond, as articulated by Greenwood et al. (2002) as well as Greenwood and Suddaby (2006). This paper is therefore concerned with the processes of adoption of new governance regulation in order to better understand how change (perhaps substantive – but at least rhetorical) was introduced within the public sector. What are the networks that have been mobilized to transport and transform the initial idea into its current legislative form? How have ideas of "modernized" governance travelled and taken hold in the public sector? In other words, the paper provides insights into the power of ideas and interests in destabilizing boundaries between the private and public sector. More specifically, the focus is on the process by which abstract categories and chains of cause and effect are excerpted from the private sector and simplified in ways which make them portable to a variety of other spheres. In other words, this study posits that the adoption of local programmes (Miller and Rose, 1992) about public sector governance is value-laden, and that their emergence depends on theorization and its endorsement by active resources and allies (Latour, 1987, 2005). A key assumption which sustains my study is that ideas do not only flow widely because they are powerful but also become powerful and legitimate as they circulate and so on. While recognizing that the NPM model may be appealing to policymakers in many countries around the world due to its ability to persuasively frame agendas for "modernization" and change in public services (Hood, 1995), understanding the actual framing in specific contexts helps appreciate the programmatic nature of the implementation of "grand" ideas.

[10] A notable exception can be found in Brunsson (2006).

The very concept of modernization is ambiguous and difficult for researchers to utilize as it refers both to something important and desirable, namely improving and adapting public management systems to benefit society as a whole – all the while driven by politically motivated agendas or concealed attempts to privatize the public sector (Rahaman et al., 2007). The objective of this paper is certainly not to idealize or demonize NPM reforms but rather to better understand in which conditions such programmes (i.e. corporate governance) and their underlying technologies (i.e. VFM audits, internal audits, benchmarking…) are translated into regulatory frameworks.

The empirical setting of this article is the adoption in 2006 by the Québec government (a Canadian provincial government) of regulation regarding the role of boards for 23 government enterprises (Table 2). Emulating private sector corporate governance practices, the regulation establishes independence[11] and competence as prime features of boards, and requires boards to adopt practices pertaining to strategic planning, risk management, internal control evaluation and audit supervision. The board's role with regard to value for money audit is also addressed. While this paper attends to the specificity of the Québec situation, the objective is not to focus overly on this particular story, but to contribute to a better understanding of the processes by which private sector ideas become increasingly influential as they circulate in the public sector through their translation into a formal and legalized discourse. The Québec situation however warrants special interest for two notable reasons: The first deals with the surprisingly low level of research in public sector transformations within the North American context (Van Helden, 2005; Broadbent and Guthrie, 2008); the second is relevant to what can be deemed by some as avant-garde or fashionable public administration, whereby private sector prescriptions with regard to internal control and risk management are legally formalized and transposed in the public sector.

According to Lounsbury (2008), in order to understand organizations and society, we need to take into account their rationalities and practices, where they come from, how they

[11] According to Article 4 or Bill 53 Board members qualify as independent directors if they have no direct or indirect relationships or interests, for example of a financial, commercial, professional or philanthropic nature, which are likely to interfere with the quality of their decisions as regards the interests of the enterprise.

became influential, and how they relate to one another. Accordingly, this research aims to enrich a body of literature concerned with how global ideas and alleged innovations are construed and transported as they are formally codified in official discourse (Czarniawska and Sevòn, 2005; Sahlin and Weldin, 2008), such as regulatory text. It seeks to add to the relatively small number of studies that focus on the rhetoric and networks which allow the instigation, the protraction and transformation of ideas into regulatory discourses. In following organizations, accountants, academics, activists and law-makers through time and space, in their theorization and translation of corporate governance ideas from the private sector to the public sector, I seek to answer calls for more research to be undertaken to examine the adoption of private sector models of governance in the public sector (Breenen and Solomon, 2008; Broadbent and Guthrie, 2008).

The remainder of this paper is structured as follows. The first section will develop the theoretical underpinnings that underlie the analysis. This is followed by information on how data were collected and analyzed. The paper then articulates the theorization of ideas and discourses as found in the case under study: first, by tracing the failings stated by key actors which allowed change to be initiated and legitimized; then, by examining the justifications and connections to values which allowed the programmatic prescriptions of corporate governance to be adopted in both commercial and non commercial state-owned enterprises (SOEs). Highlighting modest resistance, the findings point to the possibility that the regulatory prescriptions, whose effectiveness is taken for granted, may have been adopted to serve as an illusion of control. As such, a distance is created not only between politicians and public sector organizations, but also between politicians and perception of failure (Hood, 2007).

Before going further it is important to note that the legislative processes studied in this paper should not be viewed with contempt or inherent suspicion. The making of laws (Latour 2002) is a complex enterprise characterized by various rationalities that variously connect people, things, technologies and ideas into ordered realities. More importantly I do not view myself as a minstrel of orthodoxy, as if there is only one normatively acceptable way to conduct NPM reforms and one relevant view on how to research the subject. I believe in epistemological diversity founded on phronesis which advocates a conception of

research as a “practical, intellectual activity aimed at clarifying the [multiple] problems, risks, and possibilities we face as humans and society” (Flyvbjerg, 2001, p.4).

**Theorizing the travel of ideas**

Following Hood (2000), Christensen et al. (2007) and Lapsley (2008; 2009), who have advocated the use of a plurality of theoretical perspectives in the investigation of NPM reforms, this article draws from interrelated concepts: programmatic claims and technologies (Miller and Rose, 2008) inspired by Foucault’s writings; translation as introduced by Latour (1987); and the theorization of change (Greenwood et al., 2002) first established by institutional theorists Strang and Meyer (1993). While the authors cited here above were the architects of these concepts, I embrace only a few of their ideas. Undoubtedly, this means that their thoughts are not fully represented. However, my approach is in keeping with a philosophy which animates one to ‘think otherwise’: to approach theory not as something to bow to, but as a tool kit from which to draw selectively in light of the analytical task at hand (Foucault, 1977: 208). Hence, the interrelated concepts introduced and developed below provide a meaningful way to further the understanding of how ideals of efficiency and accountability from the private sector were carried to the public sector.

Miller and Rose (2008) argue that in order to govern, governments need both programmes and technologies. Programmes, on the one hand, are ideals that represent the domain to be governed and render it amenable to administration. Often depicted in government reports, white, green and business papers, by trade unions, financiers, political parties, charities and academics, they propose various schemes for dealing with what they define as the problematic. Technologies on the other hand are the various devices and instruments which make it possible to operationalize programmes and act upon others. Boundaries between programmes and technologies are not clear cut, though. Scholars in accounting sociology have shown that the ideas and concepts which shape technologies and practices are crucially attached to broader programmes (Miller and Rose 2008; Preston et al., 1992; Ogden, 1997; Power, 1997). Auditing, for instance, can be viewed as programmatic, or as a technology subservient to certain programmes. The sociology of translation developed by French sociologists Bruno Latour (1987) and Michel Callon

(1986) provides a template which can be used to examine linkages between programmes and technologies by focusing on the processes by which prescriptions and ideas travel in time and space and how they are translated (abstracted, modified and adapted) along the way. Also called Actor-Network Theory, the sociology of translation constitutes a way of allowing researchers to learn from the actors what they do, how they do it and why. According to Latour (1999, p. 20):

> *"By following circulations we can get more than by defining entities, essence or provinces… Like ethnomethodology [the sociology of translation] is simply a way for the social scientist to access sites, a method and not a theory, a way to travel from one spot to the next, from one site to the next."*

Of particular relevance for this paper is the belief that a key feature of modern society is the abstraction of ideas from their context, which are made portable to a variety of situations (Giddens, 1990, 1991). Ideas, models and norms transgress the barriers of local time and space, from their emergence in a local context to their transformation in abstracted forms which become globalized and ready to be re-embedded in local settings (Czarniawska and Sevón, 2005). The adoption of ideas or in this particular case the development of regulation depends on theorization, that is to say the transformation of ideas into generalized abstract concepts and the elaboration of a cause-and-effect chain which presents the (generalized) idea as a solution to some problems in the field (Greenwood et al., 2002). Disembedding and re-embedding therefore intermingle, and one contribution of the present paper is to increase awareness of intertwining between conceptual polarities: disembedding and re-embedding; programmes and technologies.

Theorization is conceived as a very important stage in the spread of ideas in contemporary societies, including their formalization in legislation. First, because it requires the specification of the failing for which the proposed regulation will act as a solution or treatment. Second, because it leads to the justification of the proposed treatment (Tolbert and Zucker, 1996). And finally, as highlighted by Strang and Meyer (1993), theorization can result in a sense of legitimacy as it may translate ideas into comprehensive and convincing formats taking into account the values embedded in the setting in which they are presented. If framed in a convincing manner, theorization has the potential to arouse sufficient interest and support towards some proposed change in a regulatory field.

To address the important question of how ideas are presented and justified in such a highly political setting in order to sustain adequate support, I draw on the currents of literature introduced above. Together they guide my study of how the programmatic ideals regarding corporate governance are translated in a distinct public sector setting, suggesting that theorization is an obligatory passage point in tracking institutional change, involving networks of support and resistance, constituted as ideas travel.

**Methodology – a network of inscriptions**

The approach used in this paper is qualitative and mobilizes a range of data analyzed within a specific context. This approach is recognized as a mode of inquiry allowing for the in-depth and detailed study of selected issues, without the tight constraint of fixed and predetermined analytical categories (Patton, 2002). To follow the intertwined development and travel of programmes and technologies, I rely on the analysis of archival documents as a primary source of evidence which is considered as well-suited, given the broad range of publicly available documents in the public sector (Carnegie and Napier, 1996; Czarniawska, 2008; Free and Radcliffe, 2009).

Three broad types of documents were used:

1. The proposed statement as well as the adopted bill with regard to “modernizing” the governance of government enterprises.
2. Recordings of debates from the National Assembly of Québec’s archives and proceedings from the Public Finance Commission.
3. Memoirs presented by various actors to the Public Finance Commission.

More than a thousand pages of public transcripts were reviewed, coded and supplemented with interviews of individuals who were actively involved in this initial process (Table 1). Interviews, which lasted on average 65 minutes, were anonymously carried out with high ranking civil servants as well as with the finance minister responsible for the bill. Interviewees were asked to describe their involvement in the construction of the regulatory prescription with an emphasis on resistances, dissenters and resolutions. In addition, a number of sources were considered, including white papers, articles, opinions and commentaries published in the popular and business press, in order to identify the ideas and technologies which allowed for the circulation of this movement to “modernize”

governance of public-sector corporations. It is beyond the scope of this paper to retrace the genealogy of the translation of private sector controls to a public sector setting. The emphasis is rather centered on the public debates surrounding the proposition and adoption of regulatory prescriptions between May and December 2006.

Interviews and documents included for analysis were stored as text files in QDA miner, a computerized qualitative analysis tool (Provalis Research, 2009). QDA miner allows for multilevel coding of the information collected which subsequently permits highlighting and evaluation of important recurring themes. This analysis revealed that extensive discussions for which there was agreement within the Public Finance Commission and related documents, dealt with local scandals and trust issues, as well as the need for the public sector to mimic private sector management practices in ways which increase the involvement of experts and auditing technologies. Disagreements were found with regard to the responsibilities of the Auditor General, board nomination and accountability processes. Benchmarking and the need for additional involvement from external auditors were raised by the opposition and led to amendments in the proposed regulation.

**Theorizing change - From an idea to a standard**

Ideas are said to frequently emerge and propagate on a continuous basis throughout, within and between organizational fields. Before these ideas are materialized – or become translated into action, they are shaped as dominant by a social context which seemingly plays an important and decisive role in their consideration or not (Czarniawska and Joerges, 1996; Czarniawska and Sevòn, 2005; Sahlin-Andersson, 1996). In other words, conditions of possibility play a role in the emergence and dissemination of ideas. Thus, I seek to trace and analyze both how programmes and their linked technologies were framed in a specific context, giving independent directors and auditing technologies (i.e.: audit committees, benchmark audits, etc.) an increasingly important role within the public sector. This movement is divided in two key stages as imagined by Greenwood et al. (2002). The first stage of theorizing highlights “failings” which were instrumental in developing the appeal of private sector ideas of control/accountability within the public sector, and the second

stage explores the construction of solutions which connect technologies as systems of expertise to failings.

Figure 1 provides a chronological summary of the main events which played a key role, according to my analysis, in the formalization of corporate governance ideas in legislation which oversees the administration of Québec SEOs.

[Insert Figure 1 about here]

*Conceptualizing failings*

An important element in the Québec liberal government's 2003 electoral program was the endorsement of a "modern" state, which needed to be reinvented as Québec was claimed to be one of the heaviest public administrations within the OECD as well as one of the most centralized (PLQ, 2003):

> *Altogether, the Québec provincial and municipal administrations are costing 37% more than Ontario and 28% than the rest of Canada. Québec's taxpayers are the most taxed of the continent while public debt is one of the highest in North America while the services they get in return are not better.*

The programmatic claims about the role of corporate governance within government corporations were thus initially anchored in this particular problematization of Québec's fiscal situation, which served to establish the inevitability of innovation to increase financial performance. Like many governments around the world who pledged to "modernize" their public sector by using private sector accounting approaches (Broadbent and Guthrie, 2008), performance audits (English and Skærbæk, 2007), VMF audits (Lapsley and Pong, 2000), and risk management tools (Lapsley, 2009) the agenda of modernization draws on the NPM doctrine which applies private sector-derived accounting and management technologies to the public sector in the pursuit of increased efficiency (Hood and Peters, 2004) and as a mechanism of change through structural reforms (Lapsley, 2008).

Tied to the concept of modernization "Corporate governance" became a slogan for politicians who wished to improve control, through accountability and transparency, of the actions of management, without fundamentally altering the core activities of firms (Roe,

1994). On an international level and in an array of languages, the OECD offered non-binding standards and good practices in corporate governance for the first time in 1999 and reviewed them in 2004 to take into account worldwide developments following various financial scandals. In these documents, the initial theorization presents effective corporate governance system as a solution to increase confidence in capital markets and reduce the firms' cost of capital.

The concept of corporate governance as a programmatic ideal sustained through an array of technology is not a recent innovation. Nonetheless, since the mid-1990s it seems to have solidified through the flow of corporate financial scandals (Power, 2004, Gendron and Bédard 2006). The idea that directors are capable of strengthening public trust in times of turmoil and consolidating the external auditor's ability to find and report misstatements, is reinforced by mandatory transformations in the role and composition of boards and their internal committees. Additional scandals are claimed to be avoidable and trust restored by ensuring directors are more independent, more competent and play a larger role in supervising and controlling management and auditors through "new" devices such as risk management technologies.

"Experts" around the world encouraged the proliferation of these structures as well as a greater expansion of their role (OECD, 2004), not least in the public sector. The OECD produced in 2005 *Guidelines on Corporate Governance of State-Owned Enterprises* (OECD, 2005) – the objective being to "help" governments in their challenge to assess and improve the way they exercise ownership of these enterprises:

> *SOEs face some distinct governance challenges. One is that SOEs may suffer just as much from undue hands-on and politically motivated ownership interference as from totally passive or distant ownership by the state. There may also be a dilution of accountability. SOEs are often protected from two major threats that are essential for policing management in private sector corporations, i.e., takeover and bankruptcy. (*OECD 2005, p.10)

Inspired by public sector practices, the guiding principles promoted by the OECD advocated internal audit functions supervised by independent audit committees, independent external audits, disclosure of risk factors and measures to manage these risks. These ideals resonated with various inscriptions such as press reports of scandals (e.g.,

Enron, Parmalat), white papers of best practices (e.g., Saucier report (CICA, 2001)) and "innovative" regulatory standards of publicly traded companies (e.g., the Sarbanes-Oxley Act of 2002 in the USA) as auditing and risk management technologies were envisioned by politicians without clearly being defined. Accordingly, the Québec government referred to global scandals and OECD reports as it introduced its legal amendments (Québec, 2006). The overarching suggestion made on the international level and re-embedded in the local context was that independent directors and strengthened auditing technologies had the potential to restore trust in public institutions.

Following the Liberal party's election in 2003, amendments were adopted in December 2004 to reform the Caisse de dépôt et placement du Québec's[12] (CDPQ) governance structure (Bill 78), mimicking the Sarbanes-Oxley Act of 2002 regarding the alleged reinforcement of the Board through the separation of the role of chair and CEO, the independence of a majority of its members, the requirements to establish an audit committee, whose financially literate members would oversee internal control, risk management processes, internal audit activities and of particular relevance to the public sector: value for money audits. Followed in 2006, the consideration of transposing such amendments to more than 200 government entities[13]; the transposition was presented as "an integral part of modernizing the Québec state" (Québec, 2006). An internal document produced by the Ministry of Finance stated factors such as public image, assets, revenues and source of income of each of these 200 organizations in ordering the regulatory amendments of their governance structures. The idea was that they should all eventually adopt these "modern" modes of control.

Transpositions similar to those adopted for the CDPQ were proposed to the Constitutive Acts of 24 of the 200 entities, whose mode of governing was deemed the most appropriate in emulating that of the private sector (Table 2). This brought the number of

[12] The CDPQ was created in 1965; its main activities consist in managing funds for its depositors which are mostly public pension funds and insurance plans. As of December 31st 2009 net assets under management totalled $131.6 billion invested in more than 4,000 businesses worldwide. http://www.lacaisse.com/en/Pages/Accueil.aspx

[13] 64 SOE's as well as universities, colleges and hospitals.

government enterprises transformed between 2004 and 2009 to a total of 23[14]. Among these 23 entities, 7 with a financial/commercial vocation were first to adopt legislative amendments; organisations with health, cultural, real estate, insurance and transport missions would soon follow.

Hence, in a policy statement published in April 2006, the Québec Premier evokes that the proposed legislative modifications would "*strengthen Québecers'* trust *in the institutions that belong to them collectively, while serving the public interest"* and that governance should "*respect the corporations' necessary independence, while maintaining existing ties between the corporations and the State, and, consequently, between the corporations and Québecers"* (Québec, 2006). Within these statements are embedded two important assumptions. The first is that the governance mechanisms proposed have the power to increase trustworthiness. The second assumption is that this regulation will serve the public interest through increased independence. Contrary to private business, state-owned enterprises play a dual role within society, as financial imperatives cohabit with social preoccupations and where the population, who detains ownership, has elected a government to oversee the management of these enterprises and ensure balance in their daily endeavours. In such a context, one may wonder how governments justify the apparent transfer of its fiduciary responsibilities to a majority of independent individuals and how such a transfer can better serve the public interest. The following quotes highlight how politicians, from opposition and government, jointly sought to reduce criticism through the invocation of the "fact" that SOEs were underperforming and required transformations:

> *"I think it is fair to say that at the moment citizens have unfortunately lost faith in those governing us and managing our public networks and our SOEs. I think it can be said now that there is a loss in confidence. In some situations, it has even become a kind of cynicism. Therefore, regaining public confidence in the way our departmental corporations are managed will demand a lot of work, Mr. President. And I think it must be said that at this time there are shortcomings in the way our SOEs and our departmental corporations are managed, are governed. I think this is something that should have been done a long time ago. This will help combat the population's cynicism. It will allow us*

[14] The Agence métropolitaine de transport was included in the 24 SOEs in the policy statement, however as of 2011 legislative amendments have yet to be adopted.

*to start regaining the confidence of the population regarding what happens in SOEs, what is discussed here at the National Assembly."*

*François Legault – Politician - Parti Québecois – National Assembly proceedings – November 29th 2006*

*"Our motivation is threefold. First, over the last years, there were evidently major financial scandals, particularly in the United States, that focused the attention of the public and of the financial community on the way the big state-owned enterprises and similar organisations are managed. The opportunity to rethink their operating rules developed into several initiatives, including the Sarbanes-Oxley Act in the United States. On this side of the border, governments of Canada, Ontario and British Columbia stated, like Québec, that they wanted to gain a better control of their SOEs. The recommendations of international organizations interested in governance ― first and foremost the OECD ― were updated and gained renewed interest. Québec's actions are part of this general trend.*

*Michel Audet -Minister of Finance – Liberal Party – Finance Commission proceedings – October 31st 2006*

Global scandals were presented by the party in power, as the source of probing into governmental reforms. To enhance justification, reference to what other governments "wanted" were brought forth and quite naturally these aspirations were consistent with the OECD's renewed interest. However, the transformations of governance structures of SOEs and the range of technologies they mobilized were also embedded in local controversy, which played a significant role in the formalization of corporate governance ideas within this specific local context.

A scandal involving the SOE responsible for the trade of alcoholic beverages in Québec was reported in the press in December 2005. As a state-owned enterprise, the Société des alcools du Québec (SAQ) provides a major income stream to government in the form of taxes, duties and dividends. The SAQ's management was accused of artificially maintaining wine prices higher when the depreciation of the Euro currency should have translated into reduced sale prices for the public. This scheme apparently kept profits and dividends for the sole shareholder (i.e., government) at a higher level. It was problematized that the SOE was ailing; symptoms included in the mediatised diagnostic were fraud, incompetence and permissiveness. A specific remedy was advocated: "upgrade boards and compensate directors" (Aubin, 2006).

As mentioned by the former Finance Minister in his interview: *"…we were off to the parliamentary commission where the debate takes place, and as always, it entrenched in current events. The news at that time was the SAQ scandal."* Accordingly the SAQ scandal was mentioned 317 times during the 9 days where the policy statement and proposed bill were discussed. Public annoyance helped carry forward the idea that changes to existing governance structures were promptly required in order to alleviatee tensions[15], as demonstrated in the following quote from public debates:

> *And, Mr. President, I think that, even if it was an electoral promise, no one can deny that the bill is presented today, or a few weeks ago, in the context of a major scandal in a state-owned enterprise, Mr. President: the Société des alcools du Québec.*
>
> *François Legault – Politician - Parti Québecois – National Assembly proceedings – November 29th 2006*

As local scandals threatened trust, support around the idea that financial governance should or could be legislated within the public sector gained in acceptance. Employees at the Ministry of Finance interviewed agreed that reports of scandals in the press had allowed the idea to imitate private sector reforms to travel at greater speed, with less visible resistance, as they analysed and compared boardroom practices elsewhere:

> *"A statutory law sends a much stronger signal that the government is taking care of an issue than guidelines or recommendations… I believe it would have been done [changes to governance regulation], however without the SAQ scandal, it would have taken more time and there would have been much more objection. The will was there, but to take action you need elements of endorsement. "Employee #2 - Ministry of Finance*
>
> *"Informally, certain organizations, certain CEOs were not favorable to this new legislation….but obviously, as always, policy debates are rooted in current news and when we tabled this bill, the media came out with the SAQ scandal. Therefore for the opposition, and I understand and would have done the same, it was an occasion to put the SAQ on trial." - Finance Minister*

[15] Adding to the tensions were the ongoing media reports dealing with a Canadian political scandal in the same time frame. The Commission of Inquiry into the Sponsorship Program and Advertising Activities, headed by retired Justice John Gomery, investigated "the sponsorship scandal", involving allegations of corruption within the Canadian government. Hearings lasted nine months and were televised.

Because contemporary political debates are significantly influenced by the media, the local scandal was the most discussed failing and its theorization played a significant role in the travel of corporate governance regulation to the Québec public sector.

A final element addressed in public deliberations relates to Québec SOEs being all solely owned by the government, leading them to operate outside economic markets – which according to the OECD (2005 p. 22) implicitly leads to excessive indebtedness, wasted resources and distortion. This environment is claimed to shelter SOEs from a crucial source of market monitoring and pressure, thereby distorting their incentive structure to the detriment of both creditors and taxpayers. Accordingly, it was repeatedly argued within the Finance Commission that the absence of a market leads to sub-optimal management – as highlighted by Commission member François Legault, a chartered accountant and former CEO of a publicly traded company:

> *… over the last few years, I met… directors of state-owned enterprises and I realized it was difficult, if not impossible, to evaluate the efficiency of these corporations. Why? Because we have no comparison criteria, no benchmarking enabling us to make sure the expenses of the SOE are comparable to those of a comparable SOE in another country, Mr. President, because here they are in a monopoly position. If we want to compare the expenses of Hydro-Québec, Mr. President, we have to compare them with comparable companies in other countries.*

Fiscal failings, global and local scandals and the trust deficits they carried as well as inefficiencies caused by the absence of public markets for SOEs were the initial step in the elaboration of a chain assembling seemingly straightforward solutions and a network of more or less connected events construed as problematic, thus creating conditions of possibility which take into account the political cultural and technical conditions that create a "space" in which change becomes possible (Miller, 1991). Highly exposed international and local scandals allowed the idea to gain momentum and corporate governance became increasingly perceived as capable of addressing a crisis of trust, as acknowledged by the government in power but also by the opposition during the Public Finance Commission. In this arena, ties between the failings and the treatments offered would be subjected to trials

of strength[16] which, as seen below, ultimately reinforced the network of support surrounding the idea of corporate governance as a panacea to a multitude of problems plaguing the public sector.

*Connecting failings to solutions*

Recalling that change stems from a theorization process whereby localized deviations from prevailing conventions are abstracted (Abbott, 1988) and made available in simplified form for wider adoption. Theorizing implied the mobilization of constructed failings for which regulatory governance prescriptions as a solution or treatment were specified. Theorizing also involved the proposed governance mechanisms being compellingly presented as more appropriate than existing practices. Accordingly, it was suggested by the Finance Minister that through transferring a portion of the government's responsibilities[17] to independent board members, who would allegedly be chosen on the basis of their expertise and competencies as opposed to their political endorsements, SOEs would be more trustworthy and efficient. By incorporating a range of control mechanisms through regulatory formalization, new tasks were being created for board committees and also for the experts who would enable boards to play their expected new roles. A network of actors carried these ideals of trust and competency by tying expertise, independence, and auditing as vital components of the programme and linking the proposed solutions to the failings previously conceptualized. Solutions to the failings enumerated above were therefore linked to claims to expertise. The central stage was a three-day public consultation held in 2006 within the Public Finance Commission, where various actors were invited to discuss the proposed bill. When such a bill is proposed to the National Assembly, it is referred to the most appropriate commission, which studies it and proposes amendments. In the course of commission work the public may be consulted at large or on invitation. In this case, there was a public consultation on invitation only.

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16 The notion of trials of strength is drawn from actor-network theory (ANT), my conception of trials is however broader than that typically sustained in the ANT literature, in that I do not constrain the actors involved to the role of proponent or dissenter but rather consider confrontations between different logics conveyed through the thoughts, speeches and actions of the actors involved in trials.

17 This notion is related to the government's choice of opting for strategic governance which is situated between financial governance which would imply a complete transfer of responsibilities and centralized governance where there would be no form of real delegation (Allaire, 2007).

Members of the National Assembly appointed to the Public Finance Commission invited individuals and groups, many of which were considered experts in the field of governance and had been involved in the formulation of the policy statement (Québec, 2006). The experts were business school professors, board members from the private sector, senior executives of professional accounting associations, as well as the Province's Auditor General. As Gendron et al. (2007) note, standards of "good practices" develop through a process of "fact" building, where experts can be seen as operating powerful laboratories in which "knowledge" is collectively developed. Their support to experiments in one jurisdiction leads in turn to support elsewhere which arguably explains part of the influence of experts in implementing NPM reforms in many jurisdictions. For example five (out of the 13) experts testifying in front of the Commission were professional accountants. All supported the views of the Canadian Institute of Chartered Accountants which vigorously recommended that governments focus on corporate governance in the public sector as a way of increasing accountability and efficiency[18] (Watson, 2007). Also, as mentioned by a representative of the Management Accountants' Association:

> *"We firmly believe that the board has an important role to play, therefore the people named on these boards need to have the necessary competencies to play their role. If the role they are asked to play is financial control, then it is evident that they should have an* accounting *background…We also think that asking experts certified by professional corporations in Québec to sit on boards of directors will provide an extra safety net, in terms of competency as well as integrity of the candidates. These professionals have rigorous training, are governed by a strict code of ethics, undergo regular examination and must comply on a yearly basis with the requirements of their respective professional corporations". François Renauld - Certified Management Accountant– Public Consultation – November 2nd 2006*

Given that prior problems were rooted in the lack of ability of prior board members, experts sitting on boards were presented as a solution to increase boards' performance. This notion is far from novel. Plato (The Republic, Book VI, 488a-e) conceived governance as a technical matter which requires specific knowledge applied by experts (in philosophy) rather than politicians within a democracy. The overarching idea (The Republic, Book, III,

[18] The fact that experts support the ideas of the Institute of Chartered Accountants does not automatically imply that these ideas are wrong or right. This study assumes that ideas do not only flow widely because they are powerful or "right" but also become powerful and legitimate as they circulate and so on.

404bd) is that independent governance experts are most suited to steer than non-experts. The Platonic mode of governance is not only a rebuttal of democracy but also an unquestionable inclination towards the technologies experts transport.

The complexity and implications of the suggested solutions for better financial governance were absent from public debates, as were omitted references to the direct and indirect costs of the programmes envisioned. The capacities of board members in overseeing complex risks and controls were claimed to be attainable through the retention of more experts such as internal auditors and renewed auditing technologies. The absence of debate on the limits of auditing is noticeable but not surprising considering Power's (1997, p.7) depiction of auditing as a system of values and goals inscribed in the official programmes that demand it. From this point of view auditing remains an ill-defined goal through which its daily routines make sense and have value. Its qualities of "portability and diffusion" and apparent "political neutrality" (ibid p. 44) were observed throughout this study. Auditing continued to put itself beyond empirical knowledge about its own effects in favor of a constant programmatic affirmation of its potential (p.144). While the legitimacy of audits could have been weakened because of its recent inabilities to constrain financial fiascos in the private sector (Guénin-Paracini and Gendron, 2010), shortcomings were explained and even reinforced during the Commission, for example in the following quotes from the opposition critic in economic development and finance who had worked in an auditing firm as a chartered accountant prior to being involved in politics:

> *"… I still have many friends who are involved in auditing and I can assure you that over the last 10 to 15 years, the audit world has completely changed, completely. Of course, there were the huge scandals we all have heard about, but there were also changes in the approach the Auditor General adopts in his dealings with the enterprises or corporations with which he is involved."*

> *"I often heard bad jokes about accountants scrutinizing the past while economists are supposedly looking to the future. I remember that when I was an auditor, I could not even think of expressing my opinion about budgets or fiscal projections. Nowadays, auditors are regularly asked to give their opinions about business plans, fiscal projections, forecasts on all kinds of documents that are not necessarily financial statements, and, in this sense, Mr. President, it's really a performance audit." François Legault – Politician - Parti Québecois – Public Finance Commission proceedings – December 7th 2006*

My analysis supports the point that auditing constitutes an intertwined assemblage of programme and technology that can strengthen perceptions of legitimacy, trust and progress. The solutions advocated by governance proponents were ridded of complexities and presented as unproblematic and easily manageable, allowing for an increased reliance on auditors and their novel audit technologies. This finding is consistent with prior research revealing accounting technologies as an interessement device (Skaerbaek and Melander, 2004), and connecting the deployment of new public management to the growth of a specific group of experts, formed with accountants and government auditors (Gendron et al., 2007; Guthrie et al., 2005).

In calling to mind that one of the perceived problems for SOEs was tied to the absence of markets, benchmarking technologies and value for money auditing were presented as proxies for markets:

> *… there will be a shock wave in SOEs when the importance of this phenomenon gains momentum, when an external company will be in a position to proceed with a benchmarking study, that is comparing the efficiency of our SOEs to that of SOEs in other countries or privately-owned enterprises. This will result in a remarkable improvement of our SOEs' efficiency, and I'm very proud of it.*
>
> *Sylvain Simard – Politician - Parti Québecois – Public Finance Commission proceedings – December 13th 2006*

The technology of benchmarking and the market ideology it carried were publically presented as capable of increasing performance for SOEs by making performance visible and comparable. The opposition party enthusiastically promoted benchmarking as adding much value to the legislation initially proposed by the government:

> *You know, as I said before, I'm allergic to anything that is not 100% efficient. Maybe it's because I'm an accountant. People often remind me that accountants are allergic to even the slightest waste. But … when I see what happened at the Société des alcools, I'm shocked. I don't feel comfortable seeing this. Therefore Mr. President, I am pleased to see that the Minister of Finance has agreed to a yearly independent evaluation of the efficiency of each SOE from now on. François Legault – Politician - Parti Québecois – National Assembly proceedings – December 14th 2006*

The Finance Minister initially felt that benchmarking could serve as *candy for the opposition* but that it could have dramatic effects for society because, as he argues,

the Monday quarter back[19] is always right. However, he sensed it was the only way the bill would go forward and thus, agreed to an additional responsibility for the boards of 8 SOEs[20]. Benchmarking against similar enterprises was to be carried out every three years by the Auditor General or by an independent firm with the hopes of increasing efficiency.

The modernised conception of governance was sold as a rational reform to which there was no alternative (Brunsson, 2006). For example, Sylvain Simard, member of the National Assembly, claimed: "*We can't be against virtue even if we are in the opposition, therefore we must agree with the proposed bill*". The arguments presented in public debates led the actors to regard the technologies mobilized by experts as worthy considering the failings conceptualized. My analysis indicates that the conceptualizing of failings and their linkages to technologies played a considerable role in the travel of corporate governance ideas in the public sector setting. The debate was not grounded in the details of the programmes and technologies, but in general ideals and principles such as rational division of labour between steering and rowing (Osborne 1993), coupled with the "need" to increase trust and efficiency in the public sector through accounting and auditing technologies enacted by experts. This broad conceptualization left little space for any alternative to the legislative amendments proposed – alternatives would imply the denial of trustworthiness or efficiency.

*Modest resistance*

It can be argued that the exercise of theorization described above was successful as the press, which is often believed to be a key actor in public debates, was rather sympathetic to the "new measures".[21] For example articles presenting Bill 53 were titled "Better controlled SOE's" and "Finance minister cleans up SOE's", without questioning the regulation's

[19] Expression from American football referring to a person who, the day after the game, offers advice or criticism concerning decisions made by others and who second-guesses choices made. In that case the expression used by the finance minister refers to the politician from the opposing party "who can only be right" as his comments are made after the fact.

[20] The eight included six of the commercial SOE's: Investissement Québec, the Régie de l'assurance maladie du Québec, the Société de l'assurance automobile du Québec, the Société des alcools du Québec, the Société des loteries du Québec, the Société générale de financement du Québec, as well as two non-commercial SOE's: Financière agricole du Québec and the Société immobilière du Québec.

[21] A total of 97 articles which appear in the press between January 1st 2006 and December 31st 2007 were reviewed and evaluated.

ability to deal with tensions between political and organizational goals. One notable exception to this disinclination:

> *"the scandal of inflated prices at the SAQ is a direct consequence of the exaggerated expectations of the Minister of Finance, just as the law [...] by Minister Audet following the SAQ scandal is a diversion tactic to give the impression that the government is really interested in protecting citizens against vague third parties ..." Jean-Jacques Samson, Journal de Montréal November 23th 2006*

The weak resistance from most journalists leads one to question the prevailing orthodoxy with regard to the role the media plays within the democratic process. While media outlets may have multiplied in the past decades, their content is increasingly shaped by political public relations and the rise of spin (McNair, 2000). Criticism of importing private sector mechanisms of control into the public sector was not addressed by the press. Journalists rather enthusiastically solidified the associations between the scandals and the mobilization of technologies as proposed in the new regulation.

While minor in terms of financial impact, the SAQ scandal was significant in terms of negative press (Dutrizac 2006a; 2006b), thereby creating the conditions of possibility for politicians to demonstrate that they were directly and seriously addressing the issue. One interviewee criticizes the size of the instrument used to kill the fly:

> *The amount that was the object of controversy was around 8 million dollars whereas the annual sales are about $2.4 billion, so I guess that's around 0%; however, the press got hold of the story, the Auditor General was investigating and politicians wanted to show that they were addressing the issue… Interview - Employee #2 Ministry of Finance.*

As mentioned below a few actors agreed that the changes proposed in the bill would not have prevented such a situation from occurring, nor would it prevent further occurrences.

> *Although I believe that the regulation would not have prevented the [SAQ] scandal, what is important is that the population thinks that it could have and that the government is taking care of the problem… If the population believes it, then the opposition can't easily oppose. Interview - Employee #2 Ministry of Finance.*

> *Michel Audet declared: I can't predict it won't happen again [SAQ scandal]. But with the responsibilities given to boards [in Bill 53] and the Auditor General, we are assured that if it happens, we will be made aware of it and there will be sanctions. Tommy Chouinard – La Presse April 7th 2006*

What was imperative was that the changes proposed were perceived by the public as addressing the issue, allowing the idea of strengthening corporate governance in SOEs to progress so that trust in both the organizations as well as the politicians could be reinvigorated.

Privately questioning these reforms were a number of CEOs of SOEs. Their concerns were not voiced in the public arena, however, as if their counterclaims were not anchored in sufficiently "powerful" laboratories. Interviewees recall CEOs arguing their SOE had not been the object of reported scandals; therefore there was no need to meddle with their constitutive laws. The standard clearly deprived them of some of their powers as they would no longer be able to chair the board and would need to deal with "independent" members and additional audits. Increased responsibilities for the board and their committees were perceived as a signal of distrust in the CEO's ability to manage.

As stated, the policy statement would initially apply to commercially driven SOEs. Other SOEs (i.e. cultural, insurance, real estate) were given one additional year to individually review their constitutive laws and meet the principles of modernizing governance, rather than reproducing them integrally (Québec, 2006). Yet my analysis of debates and legislative amendments from 2007 to 2009 for non-commercial SOEs reveal the absence of adaptations or significant translations taking into consideration their different nature. Identical mechanisms were transposed as universal programmes conducive to efficiency and transparency:

> *"Insofar as the legislator will demonstrate flexibility regarding how smaller corporations will manage to be accountable – maybe they won't like me saying this – but I think that even smaller enterprises must be able to conform with Bill 53. Unfortunately, the devil is in the details, so how will it be possible to achieve this all the while being relevant and not creating an administrative monster?"*
>
> *Daniel Paillé, University Professor - Public consultation – October 31st 2006*

From an initial discourse that emphasized a potential for reasoned justification, debate and dialogue quickly collapsed into a standard template. Two relatively trivial adaptations highlighted in debates preceding the legislative amendments carried from 2007 to 2009 deal with the proportion of independent board members and their compensation. The requirement of having 2/3 of independent members on boards was somewhat reduced for four of the 17 non-commercial SOEs, to take into account the challenges of identifying independent experts in fields such as medicine, agriculture or the arts[22]. Compensation was denied for board members in fields more typical of public services. The government did not publically justify why compensation was not extended to non-commercial SOEs; the former Finance Minister stated in his interview that "*the issue was important, unresolved and needed to be addressed*".

Arguments questioning the pertinence of technologies such as risk management, internal control and value for money auditing in the context of non-commercial SOEs were also absent from debates. It can be suggested that the regulatory prescriptions advocated mainly by accountants, possess a key rhetorical strength because their arguments are built through a range of numerous experiments undertaken via a network of large-scale laboratories. Dissenters to the claims would not only have to dispute the politicians' views but more importantly what numerous experts around the world considered "facts" (Gendron et al., 2007; Tremblay and Gendron, 2011).

In a climate where market values were high, other modes of governance seemed to be viewed with contempt or suspicion – or were ignored by actors indoctrinated with the unquestionable benefits which free market methods engender. Precisely because any challenge to non-market reforms seem to be motivated by a self-interested desire to evade effective norms of accountability and control as sanctified in private-sector networks, public-sector organizations have refrained from resisting private forms of governance (Ezzamel and Willmott, 1993). Imitation also appears to have played a key role in the enrolment process (Røvik, 1996, p. 157). Whenever questions were asked in debating amendments to non-commercial enterprises, members of the National Assembly were

[22] Instead of having 67% of independent board members, the FADQ, RAMQ, Arts Council and SODEC have a 53% rate of independent members.

informed that this was the way it had been done for others and such a trivial answer seemed sufficient to end discussions. Several interviewees also highlighted the absence of sanctions related to non-compliance[23], to justify the relative lack of resistance.

> *"Our objective is that they improve, it's not like we are going to limit their funding if they don't comply, we will simply help them for example by providing templates they can use to report on their committee performance." Interview - Employee # 2 Ministry of Finance*

> *"The goal was for change to take place; risk management and benchmarking are recognized as ways to help organizations do better. We understand that they don't all start at the same place, commercial SOEs probably already did most of what the legislation required, for smaller SOEs the hill is steeper and they are expected to take it one small step at a time." Interview - Employee #1 Ministry of Finance*

As such, the ideal of performance was promoted through technologies of benchmarks and performance audits, advanced in the name of their presumed potential rather than their practical possibility or actual consequences (Hopwood, 1984). These claims were temporarily stabilized by their restriction to a limited number of commercial SOEs; however the presumed adjustment to non-commercial SOEs never materialized and the lack of resistance is noteworthy. In sum, increased reliance on calculative practices overseen by independent boards of directors was increasingly perceived as capable of conveying change. From a critical angle, however, the data assessed in this study suggests that the colonization of public sector governance by the logic of NPM may have been largely built on an illusion.

**Expanding reflections to a wider realm - Illusions of control?**

Like accrual accounting and budgeting (Carlin, 2005) or performance measures in the public sector (Townley et al., 2003), the innovation presented in this paper lacks sober empirical explications as to why it is a good thing and how it has the potential to improve governance within the public sector setting. Rather it seems to have been carried out essentially on emotive ground or by unquestionable faith in the presumed benefits of

[23] A computerized system was developed by the Ministry of Finance to follow up on implementation of these responsibilities; it essentially sought to identify and help accompany dissenters in their adoption of these new rules.

abstract technologies. Arguments mobilized in the public debates consisted of general opinions, not supported through convincing elements such as empirical analyses or detailed reflective comments and anecdotes predicated on life experiences. It can be argued that the rhetorical strength of corporate governance mechanisms such as value-for-money auditing results from intertwined configurations of power/knowledge, historically developed through experiments, inscriptions and discourses sustaining a particular set of "good practices" which make various claims, such as objectivity and universality (Gendron et al. 2007). As suggested by Flottes and Gendron (2010), superficiality is one of the main features characterizing the processes by which legislation and regulation tend to develop in society.

The Québec corporate governance legislation embodies ideals and hopes of enhanced performance, without a detailed explanation of how expert technologies ought to be carried out or what their effects may be once the task of implementation is complete. This critical remark is consistent with Clarke and Dean (2007), who are sceptical of various governance procedures put in place following corporate failures, which they believe are directed more at appearances (i.e., legitimization) than at rectifying underlying problems. Drawing on the above, I argue that regulation offered as a "modernization of governance" and viewed as an irreversible phenomenon and a natural evolution to which one cannot oppose, may be reflective of an illusion of control within the public sector.

My questioning is firstly based on the substantive gap between the local failings and the technologies mobilized through legislation and presented in the previous sections. How could risk management, internal control reviews, increased internal auditing and benchmarking have prevented local scandals from occurring? How should technologies be deployed to ensure their benefits in terms of governance? The superficiality of discussions circulating in the public arena in this respect is noteworthy. It seems that advocates preferred to discuss vague claims and expectations rather than pondering how for example, benchmarking in the public sector for non-commercial SOEs can be a challenging endeavour, or the extent to which the embracement of risk management technologies clashes with social and political goals in a public sector context. It has been argued by Power (2009) that risk management technologies provide a false sense of security. I argue

this is even more potent in the public sector considering the multiplicity of objectives perused. Yet governance experts sell risk management in a range of jurisdictions, as if it were a technical evaluation of combined probabilities and likely effects – with the realist assumption that the world of risk is measurable, quantifiable and controllable (Gabe, 1995). This form of articulation will leave SOEs to figure things out for themselves; in the meantime control is at best limited and at worst illusory.

Secondly, while the corporate governance legislation provides politicians with the appearance of distancing themselves from the governance of SOEs, in reality government remains largely accountable of the activities of SOEs :

> *"Québec kept for itself quite a number of responsibilities. A dozen or so. Deposit of strategic plans, compensation policy, selection of directors, reappointment of directors and executives. Quite a lot. It's coming from everywhere and involves many ministries. Sometimes a SOE is accountable to more than one ministry. The government is not truly equipped to execute what it laid down on paper."*
>
> *Journalist Gérard Bérubé citing Yvan Allaire – Le Devoir May 24, 2006*

It seems that the government kept the right to intervene and impose its vision and desires to SOEs, thereby limiting the role of the boards (Allaire, 2007). The illusions of control seem to have been created through the blurring of boundaries between the independent experts on boards and the politicians in power. In the government's defence, it must be stated that keeping distance in not made easy by the opposition parties' political statements and media criticism. Repeated attacks by the opposition against SOE management and the ensuing and inevitable media frenzy exert such pressure that governments feel compelled to intervene and calm things down, negating the distance they wanted to initiate. Another way of explaining the preservation of this illusive distance rests on the fact that governments need to preserve significant means of action within these businesses of which they are sole shareholder, making them accountable in the collective imagination of the population.

Third, contrary to the announcement made in the policy statement with regard to non-commercial SOEs, the legislation travelled with little transformation to this particular setting. An ironical argument sustaining the illusion of control can be made using one of

the few transformations: the absence of compensation offered to directors serving on boards of non-commercial SOEs. Prior to the reform, none of the directors were compensated and many observers believed that they should be remunerated in order to strengthen board performance. As maintained by one employee at the Ministry of Finance:

> *"It's not normal that these people are not compensated for their work, especially if we want competent people"*
>
> *Journalist Robert Dutrisac citing a Finance Ministry employee, Le Devoir, July 20th 2006*

The argument was echoed in the public consultations by the President of the Ordre des comptables agréés du Québec (Québec Institute of CAs):

> *Considering the level of competencies and responsibilities required from board members, we think that all board members of SOE's should be compensated. How can the government justify compensation for a board member of Investissement Québec and not for the Société d'habitation du Québec?*
>
> *Daniel McMahon CA Public Consultation - November 2nd 2006*

The finance Minister agreed with this position and claimed:

> *A decision is needed, quickly, because the current situation gives the false impression that the work done by a director in a non commercial setting doesn't have the same value and complexity that what is done in the seven other SOES where directors are compensated. In the long term there is a risk that we will create two levels of SOEs and recruitment problems for organizations that are in dire need of competent directors. Interview - Finance Minister*

In the end however, the idea that competence is tied to compensation was evacuated from official debates, as if directors' presence is rather symbolic of sound governance than the manifestation of an effective exercise of power.

Finally, all of the SOEs subject to the legislative amendments had boards and audit committees in place before it became a legal obligation to institute them. In so doing, the incremental practices engendered by the new requirement consist of more emphasis on board independence, and the obligatory instauration of technologies such as benchmarking,

risk management and value-for-money auditing[24]. Even so, the extent to which SOEs already used such technologies is unclear and not specified in the debate. In light of all this, doubt can be casted on ideas and initiatives offered as value-free and undemanding remedies to be generously administered by independent experts to heal an ailing political system. Are democracies mainly characterized by political games, where to a large extent substance is irrelevant and contradictions are ignored?

To enhance trust at a distance, advocates of the reform did not speak publicly about practical issues; no other alternative was pragmatically considered. This study claims that corporate governance prescriptions are being developed in a political arena where their effectiveness is taken for granted. As conceived by Seo and Creed (2002), contradictions and praxis are drivers of successful institutional change. My analysis highlights that these drivers were virtually absent from debates surrounding the reform. Instead, there was surface dynamic assuming the governance of SOEs as a form of orderly adaptation, predicated on the logic of imitation of so-called best practices which can be borrowed unproblematically from other domains or jurisdictions. Seen in such a context, SOE governance may be undergoing NPM style reforms not only to achieve managerial efficiency but also to legitimate government and its public administration to the electorate, ordinary citizens, and journalists (Broadbent and Guthrie, 1992; Lapsley, 1999; Deegan, 2002). We may be left once this latest reform is implemented, with competing pressures pushing organizations in different directions with respect to control and politics. The regulation adopted may have created an appearance of strengthened ethics, order and legitimacy, but its ability to transform the public sector is unconvincing.

**Discussion and conclusion**

This article is based on the premise that we can learn a great deal about the society we live in by studying how its regulatory movements are brought about (Flottes and Gendron, 2010). While there are various and valuable theoretical and empirical ways to achieve such knowledge, my examination especially draws on the notion of theorization, which plays a

[24] Article 43 (2) of Bill 53 requires that the boards of directors of the 23 SOEs, as a group, include an equal number of women and men as of 14 December 2011. This specific element is the object of a distinct paper.

central role in processes of fact-building and legitimization. Specifically, I studied how corporate governance ideals were translated into regulatory prescriptions as failings were conceptualized and pressures for change intensified.

My study illuminates the degree of intertwinement between theoretical notions which are often viewed as distinct in literature. While the notions of dis-embedding and re-embedding, of programmes and technologies may be conceptually separated, empirically speaking they are relatively intertwined. When an expert intervenes during a commission hearing, not only does s/he mobilize programmatic ideals – but also schemes of practical experiences. Moreover, the constitution of the Québec legislation involved a re-embedding movement (in that broader claims were taken into account in developing a local regulation) and also a dis-embedding movement (in that some local specificities gained in generalizability as they were codified in the legislation, such as some of the actors' fascination with the notion of benchmarking).

This paper's analysis and findings are also consistent with the claim that NPM programmes have successfully travelled around the globe, more so because of their underlying rhetoric's than because of their proven effectiveness in transforming the public sector for the public interest (Parker and Gould, 1999). However the fact that ideas travel in relatively unpredictable ways and in unstable networks does not mean that they travel irrationally. NPM programs do not travel in a vacuum; they are transported by various rationalities which are very powerful in particular to connect public failings to proposed regulatory solutions. What is difficult to distinguish is whether these rhetorical rationalities are more economic, political or social and how they interact with each other. From this study's perspective it seems that economic rationalities were the main force behind the adoption of corporate governance reforms in Québec SOE's. Such rationalities certainly belong to what Hopwood (1984, p.171) described as economic calculation "*now being seen as a way not only of reforming management of the State but also influencing priorities which are given in policy determination and decision making. Accounting is quite explicitly becoming implicated in the construction of different views of the problematic, the desirable and the possible*". However, although it may be easier to characterize economic rationalities, one should not underestimate the coexistence and interactions of other forms

of rationalities namely political and social. For example, the politicians involved in the governance changes may have supported the functionalist NPM ideas – also those who were in the opposition – because they thought that the public opinion (voters, journalists…) would appreciate it. Thus it may be a form of social or political rationality to support the NPM programmes. Moreover, even if there is a focus on, social or political rationality, this does not automatically imply that the changes introduced will not have any effect on economic efficiency/effectiveness of the organizations involved (Ezzamel et al, 2005).

This paper's initial intention was not to pass a judgment on the appropriateness of the "programme" of corporate governance or the application of private sector technologies but rather to understand the process of how such programmes and technologies are translated and adopted. However, I am conscious that by highlighting this process, my study inevitably raises critical questions on the making of the law, in which programmes and ideals are embedded. Amongst the critical points raised it was found that network of actors promoting NPM solutions were instrumental in formalizing into law private sector corporate governance ideals and the underlying "illusion of control". To a great extent the lack of in-depth reflections in the debates surrounding the reform of Québec SOEs' governance was crucial for the illusion to take hold. By avoiding discussions on practical complications, the experience of others and the thought of consequences (Brunsson, 2006), actors involved in debates demonstrated a lack of interest in seriously gauging practical outcomes. While this may be typical of the literature which views policy-makers aggressively adopting strategies to persuade audiences of the validity of some new legislation (Røvik, 1996), I question the likelihood of legislation, established through superficial debates, to produce genuine transformations in a public sector setting. Overall, my interpretations concur with accounts from a range of countries where NPM reforms have a longer history and where some criticism has been voiced (Parker and Gould, 1999; Hood and Peters 2004; Hood 2007; Lapsley, 2009). Intentions and implications in adopting market modes of governance are underpinned by the belief that best value for money can be secured through reliance on seemingly neutral financial controls, accounting and auditing technologies.

In a more general perspective, it is legitimate to reflect on what could better align legislative reforms with public interest. Obviously amongst the insights provided by this research in agreement with previous studies (i.e. Lapsley and Pong, 2000) is that NPM ideas and reforms are promoted through very simplistic and non problematic arguments. Typically, the challenges and the necessity to delve into the messiness of the experiential are avoided, which raises the following question and problem to solve: How to make the complex and problematic visible? Ironically highlighting complexity is a complex task. Not the least because it requires enhanced knowledge and reflexivity but also because most citizens expect politicians to provide assurance in the form of simple and easy solutions. However, that being said, a first strategy could consist in encouraging the use of experts, however as shown in this study this approach is not necessarily the most effective. Experts can be partial, self-interested and intellectually programmed. Another strategy would be to ensure better conditions of possibility for contradictory arguments to be raised within the regulatory debates. In concrete terms this could be achieved through extending the right to participate in commission hearings to a larger group of stakeholders.

Insights from this paper suggest that ideas and rationales associated with programmes and technologies matter if we are to better understand how control is developed as well as its positive and negative consequences and outcomes. As such, the debate examined in this study only represents part of the process. Further research may examine the intended and unintended consequences associated with corporate governance reforms in the public sector. There are various ways by which researchers can continue to keep track of the mechanisms by which social spaces are formed and transformed. Applied researchers on the one hand, may follow governance experts and seek to improve their technologies – focusing on means, not ends. Others, more critical or doubtful of the benefits of these technologies, will prefer focusing on revealing the ever-expanding network of backstage connections that sustain the development of corporate governance regulation. Consequently, their focus will be on what Callon (1998) calls overflows – or unintended consequences, and the heat they generate. From a foucaultian angle, researchers may seek to uncover how individuals and institutions operate covertly to colonize the public sector with a mentality which clones the praxis and ethics of private-sector managers. Hence, further research can investigate settings where resistance and overflow is greater to

understand how trials of strength are resolved. Oppositely, social scientists may want to study the laboratories where local corporate governance experiments are produced and how the inscriptions produced in one setting are validated by experts in other jurisdictions, thus solidifying the networks of support around corporate governance regulation in the public sector. Explicit focus on praxis and contradictions should be studied as the regulation and the programmes and technologies it carries, are enacted by board members who were absent from broader debates.

While some readers may claim that the changes presented in the legislation under study are purely symbolic, this article considers that circulating ideas, even when only ceremonially adopted, result in both organizational and institutional change (Sahlin and Weldin, 2008), as they strengthen people's view of social order. However, when normative doctrines of governance, accountability and transparency meet behavioral tendencies to blame-avoidance in modern public service systems, unintended consequences seem inevitable (Hood, 2007). This latest NPM branded reform was carried by politicians and governance experts who have increased the supply of solutions by disregarding subtleties, nuances, experiences and contradictions which inevitably characterize the intertwined domain of expertise, programmes and practices. For now, controversies have been temporarily resolved; however policymakers are bound to experience a cruel disappointment if illusions of control were to be revealed.

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**Table 1**
**Interviews**

| Interviewee | *Date* |
|---|---|
| Auditor General employee #1 | March 2009 |
| Auditor General employee #2 | March 2009 |
| Employee at the Treasury Board Secretariat | March 2009 |
| Former Finance Minister | October 2009 |
| Director of the Institute for Private and Public Governance | October 2009 |
| Ministry of Finance employee #1 | January 2010 |
| Ministry of Finance employee #2 | March 2010 |

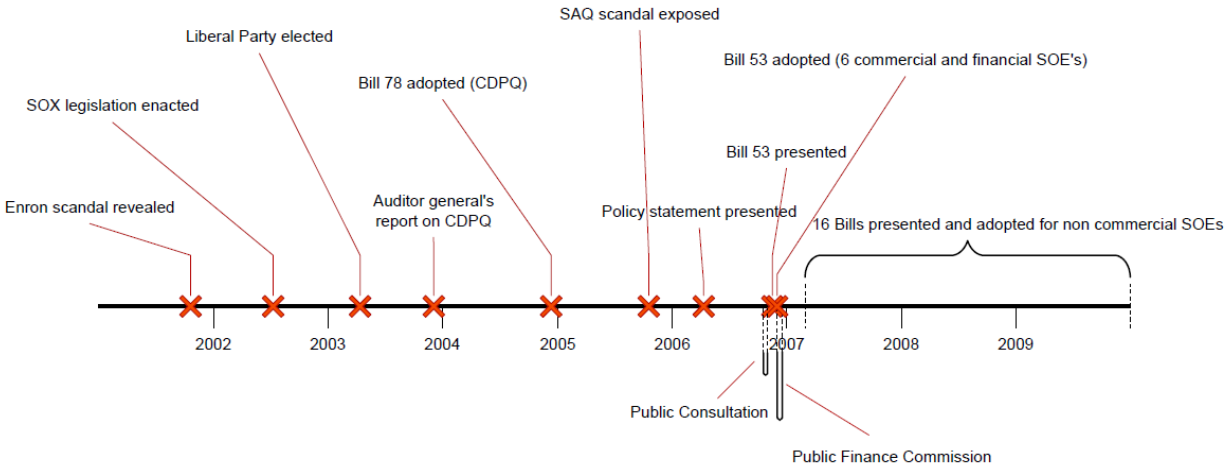
**Table 2**
**SOE's subject to corporate governance regulation**

| | *Vocation* | *Assets (000 000) CAN $* | *Revenues (000 000) CAN $* |
|---|---|---|---|
| **Commercially driven SOE's** | | | |
| Caisse de dépôt et placements du Québec | Financial | 120 088 | 5 847 |
| Hydro Québec | Commercial | 66 774 | 12 717 |
| Investissement Québec | Financial | 5 537 | 217 |
| Société de l'assurance automobile du Québec | Insurance | 224 | 620 |
| Société des alcools du Québec | Commercial | 590 | 2 419 |
| Société des loteries du Québec | Commercial | 1 160 | 3 870 |
| Société générale de financement du Québec | Financial | 1 996 | 109 |
| **Other SOE's** | | | |
| Agence métropolitaine de transport | Transport | 2417 | 287 |
| Conseil des arts et des lettres du Québec | Cultural | 24 | 92 |
| La Financière agricole du Québec | Insurance | 832 | 475 |
| Régie de l'assurance maladie du Québec | Health | 802 | 3 051 |
| Régie des installations olympiques | Real estate | 90 | 40 |
| Régie des rentes du Québec | Insurance | 98 900 | 876 |
| Société d'habitation du Québec | Real estate | 190 | 670 |
| Société de développement des entreprises culturelles | Cultural | 105 | 69 |
| Société de la Place des Arts de Montréal | Cultural | 131 | 38 |
| Société de télédiffusion du Québec | Cultural | 71 | 54 |
| Société des établissements de plein air du Québec | Real estate | 263 | 111 |
| Société des Traversiers du Québec | Transport | 133 | 70 |
| Société du Centre des congrès de Québec | Real estate | 100 | 11 |
| Société du Grand Théâtre de Québec | Cultural | 41 | 12 |
| Société du Palais des congrès de Montréal | Real estate | 348 | 19 |
| Société immobilière du Québec | Real estate | 1 972 | 667 |
| Société québécoise de récupération et de recyclage | Services | 110 | 33 |

*Assets and revenues were found in the 2005-2006 annual reports of each SOE.

**Figure 1**

**Timeline of Events**



**ARTICLE 3**

# GENDER ON BOARD: MAKING SENSE OF AFFIRMATIVE ACTION IN BOARDROOMS


## Abstract

This study investigates the adoption of affirmative action legislation in the boardroom – specifically in the context of government corporations in Québec – as an attempt to break what is often described as the old boys' network to ensure that board composition is more reflective of contemporary society, thereby destabilizing traditional boundaries of board member expertise. Drawing on a series of interviews with board members, the aim is to better understand how the latter make sense of and interpret the presence of women on boards in light of affirmative action regulation. Overall, I show that board members make sense of the presence of women on boards by addressing the gender issue in two different ways. In the first case, the singular nature of the feminine gender is recognized and mobilized to represent the contribution that women can make (or not) as women to boards of directors. In the second case, the question of gender disappears from the sense-making process. Women are accepted, not because of their feminine qualities, but rather and uniquely for their professional competency. While positive discrimination policies towards women rest upon an ideal of diversity and equality, a number of directors free themselves from such a notion through its reformulation as a "degenderized" ideal of professionalism. Implications in terms of policy-making to promote board diversity are discussed.



**Keywords:** corporate governance, women on corporate boards, affirmative action, gender, expertise.

# GENDER ON BOARD:
# MAKING SENSE OF AFFIRMATIVE ACTION IN BOARDROOMS

## Introduction

In the two most recent decades, the composition of boards of directors has increasingly been considered as a relevant means to reduce the occurrence of business failures and strengthen business ethics and accountability in the realm of public companies (e.g., BRC report 1997; Saucier 2001). While composition was initially viewed from the perspective of ensuring the presence of specific types of expertise on the board (e.g., members of audit committees possessing some degree of financial expertise), more recent pronouncements stress the necessity of establishing *diversity of expertise* in the boardroom, in order to ensure that a plurality of viewpoints are expressed during board meetings. For instance, managerial abuses of power, such as excessive compensation, have recently been tied to the absence of diversity in the boardroom (Malsch, Tremblay and Gendron 2012). In an attempt to make sense of the global financial crisis and explore possible solutions, the need for boards to favor new ways of tackling old problems and reject the group-think that may have contributed to global financial challenges was recognized (Leblanc forthcoming). One significant theme emerging from this discourse is the lack of boardroom diversity being viewed from a gendering perspective. While recognizing that there may be no magical solution to board effectiveness, a mechanism proposed by Ernst and Young (2009, 2) is to advance more women into leadership positions, thus providing the right environment for new perspectives to be heard: "*As business leaders and policy-makers seek to navigate their way through the current crisis they need the talents of both women and men more than ever to come up with the best solutions"*. This idea is echoed by Canadian Senator Céline Hervieux-Payette who claims that "*in view of the moral crisis in the capitalist system, an overhaul of the culture of boards of directors is urgently needed. Gender parity on boards of directors is part of these absolutely necessary changes*" (Hervieux-Payette 2010).

In the same line of thought, Harvard professor Rosabeth Kanter (Kanter 2010) asks: "What if Lehman Brothers had been Lehman Sisters?", arguing that a higher inclusion of women on boards may reduce self-interested greed and lead to less imprudent risk-taking and more solid asset values. Participants at the October 2010 World Economic Forum/Harvard Kennedy School Conference presented research data implying that women are more trustworthy, risk averse, and altruistic and that higher testosterone levels may be associated with more aggressive decisions in the boardroom and excessive risk taking (Levi, Li and Zhang 2010).

Such calls for diversity resonate with international developments in countries such as Norway, Spain and Iceland, which have implemented 40 percent female representation quotas for publicly traded companies (Hausmann, Tyson and Zahidi 2010; Masters 2008). While Canada and other nations continue to question the relevance of such measures (Tremblay and Malsch 2011), the provincial government of Québec (Canada) adopted legislative measures in 2006 (Government of Québec 2006) as an attempt to rupture the old boys' network and ensure that board composition of government corporations is more reflective of contemporary society. The nominations that followed quickly led to a 90% increase in the number of women on the boards of 24 state-owned enterprises, giving them parity access to the boardroom as they now form 52% of membership (Lavoie 2012). Specifically, government corporations are now constrained by the following: "The Government establishes a policy whose objectives are […] that the boards of directors of the enterprises as a group include an equal number of women and men as of December 14th 2011." (Government of Québec 2006, paragraph 43)

Imposing diversity within the higher levels of organizations is likely to destabilize, at least momentarily, established order as well as ways of thinking and doing concerning the gender issue. Gender is often involved in the construction of collective meanings surrounding the notion of leadership (Acker 1990). Gender categories are also used to organize our experiences as they allow us to define and classify individuals – in terms of their expertise, their performance, their attractiveness, and so on (Denissen 2010; Ely and Padavic 2007; Ridgeway and Correll 2004; Ryan and Haslam 2007). It can therefore be expected that gendering schemes will be significantly mobilized when people are forced to

deal with coercive changes which disrupt the relative history of invisibility of women in the boardroom. Accordingly, the Québec context provides a key opportunity to investigate and better understand how board members make sense of and interpret the presence of women on boards in light of affirmative action regulation. To carry out the study I rely on interviews with twenty-nine board members as well as the Finance Minister responsible for the initiative and two governance consultants.

As such, the investigation is predicated on a theoretical stance that recognizes the centrality of actors' reflexivity in interpreting key aspects of professional work and corporate governance processes (Gendron and Bédard 2006; Gendron and Spira 2010; Weick 1995). The capacity of actors to reflect in the course of their daily undertakings and to act on the outcomes of reflective insights – sometimes innovatively, sometimes not – represents a fundamental aspect of social life (Giddens 1990). Reflective acts of sense-making significantly matter since they are at the core of individual agency and interpersonal interactions (Schutz 1967). The point is that discourses and structures do not deterministically impact the behavior of individuals; they are necessarily interpreted and translated along the way through the mind of actors. An examination of how actors construct meanings – in our case surrounding the implementation of a given affirmative action legislation – therefore constitutes a pertinent research endeavor (Weick 1995).

Overall, my analysis indicates that board members make sense of the presence of women on boards by addressing the gender issue in two different ways. In the first case, the singular nature of the feminine gender is recognized and mobilized to represent the contribution that women can make, or not, as women to the functioning of boards of directors. In the second case, the question of gender disappears from the sense-making process. Women are accepted, not because of their feminine qualities, but rather and uniquely for their professional competency. While positive discrimination towards women rests upon an ideal of diversity and equality, a number of directors free themselves from such a notion through its reformulation as a "degenderized" ideal of professionalism.

This paper aims to contribute to the corporate governance literature in the following ways. First, my paper extends an emerging body of research on the gendering of boardrooms (Terjesen, Sealy and Singh 2009) by providing an in-depth study of how the

notions of gender and expertise are mobilized and intertwine in the context of the implementation of compulsory parity in the boardroom. My second aspiration is to establish further the use of qualitative research methods, which tend to be marginalized in the corporate governance literature, as a relevant means to increase our general understanding of board processes.[25] Third, scholars have argued that disproportionate power is a problem linked to the *number* of women in the boardroom, and that a critical mass is necessary for women to exert influence (Konrad, Kramer and Erkut 2008). The present study is one of few giving access to a field where such a critical mass is attained, allowing me to investigate perceptions regarding the extent to which the order of things is altered in the boardroom once formal parity is established. This is particularly relevant since many countries around the world are considering affirmative-action-type regulation (Deloitte 2011) to accelerate an otherwise dawdling trend in the nomination of women on boards (Catalyst 2010).

The paper is structured as follows. The next section outlines the study's theoretical perspective and reviews selected elements of the "women on corporate boards" literature. This is followed by a more detailed examination of the sources used and the evidence drawn from the data collected which, in turn, is followed by an analysis of the evidence. Conclusions are drawn in the final section.

## Women on boards

### *Structure and preferences*

The position and treatment of women in business circles recurrently appear in newspaper headlines and political party agendas (Clark 2010). Despite numerous regulatory initiatives promoting equal opportunities for men and women – for example Québec's introduction of paternity leaves or growth of daycare facilities for working mothers – an invisible and seemingly unbreakable glass ceiling prevents women from accessing upper management positions and boards of directors, while maintaining a significant gap in the compensation given to women as compared to their male counterparts (Acker 2006). If this observation is

[25] Exceptions consist, for instance, of Gendron and Bédard (2006), Golden-Biddle and Rao (1997), Leblanc and Gillies (2005), and McNulty and Pettigrew (1999).

almost unanimously shared (Khoreva 2011), the views regarding the causes as well as the means and the opportunity to address the problem, differ widely.

First, let us consider some of the causes discussed in literature. Feminist literature suggests that women are marginalized from corporate upper management mainly because of existing structural constraints (Gallhofer et al. 2011). In other words, women cannot make their work-lifestyle choices freely and according to their own preferences as they are severely restricted by existing structures whether social, political or economic. These structural constraints are obvious in organizations that make little effort to help women balance a demanding family life and inflexible professional responsibilities. Less obvious but also very significant, is how these constraints are shaped by ideological discourses (Bourdieu 1998). For instance, research by Dambrin and Lambert (2008) has shown how organizations place both implicit and explicit obstacles to women's hierarchal advancement through discourses on motherhood.

This position on structural constraints taken by equality feminists was challenged by Hakim (2006 290), who offers a different explanation for the "continuing pay gap and occupational segregation". In developing preference theory, Hakim suggests that the glass ceiling may result from women's preferences in work lifestyle – for instance in terms of particular working and family arrangements:

> The feminist movement has overturned the idea that everyone prefers the so-called "traditional" – in fact, modern – sexual division of labour which allocates men to income-earning and women to full-time home-making and child-rearing. The fact that this model is no longer imposed on every one does not mean it is universally rejected. It has become a matter of personal preference and choice. (Hakim 2000, 73)

Hakim further argues that women are heterogeneous in their preferences and priorities on the conflict between life and career. If the glass ceiling is made of structural constraints, Hakim insists that the genuine desire of some women to give priority to their maternal role over their career should be neither underestimated nor scorned. In other words, even if all of the structural constraints were to disappear, a number of women would still have lower salaries and be less present in the upper reaches of power.

This being said, it is widely assumed in literature that women are under-represented in top corporate hierarchies. Drawing on various studies, Hakim points out that in most populations, women who favor their career over their family life can easily reach 30%. This number contrasts vividly with the very low ratio of women sitting as directors on various boards. For instance, the percentage of women on boards in Canada is estimated at 10.3% and 16.1% in the United Stated (Deloitte 2011; Catalyst 2011). These numbers are relatively low if we consider that 30% of women select their career over family. On this basis, it is reasonable to maintain that certain constraints and obstacles prevent women from accessing the highest positions in organizations. It is therefore pertinent to examine what literature has said on the means that could circumvent or remove such barriers.

*Breaking the glass*

For over a decade, the discussion on how to remove structural barriers has been held along two interdependent examination axes: 1) What are the main arguments in favor of greater representation of women in boards of directors? 2) How can more women become members of boards of directors?

The first question is usually apprehended through the rhetorical lens of diversity. According to this approach, three key arguments point to the positive influence of women on boards of directors. The first and relatively neutral political argument is tied to the specific knowledge that women can bring to increase the financial value of businesses, having women on their board of directors. For example, greater diversity on the board may translate into a better understanding of the marketplace and of the firm's potential customers and employees, thereby increasing its ability to penetrate markets (Robinson and Dechant 1997). This reasoning is empirically supported by Brammer, Millington and Pavelin (2007) who find that the highest (although very modest) rates of female directors are associated with retailing, banking, the media and utilities (all sectors associated with a close proximity to end-consumers) while producer-oriented sectors such as resources, engineering and business services (characterized by isolation from end-consumers) have

significantly fewer female directors.[26] In other words, women may have a better knowledge and understanding of some of the market and business environments in which organizations thrive. If this is true, then market rationality would demand an increased presence of women on boards in specific economic sectors.[27]

The second argument in favor of diversity is deeply political. That is, from a democratic perspective, it is representationally unacceptable for women to be excluded from corporate boards on the grounds of gender; and firms should therefore increase gender diversity to achieve a more equitable outcome for society as a whole (Brammer et al. 2007; Rinfret and Brière 2010). As noted by Ashworth (1996), an unequal feminine representation in organizations inevitably engenders a questioning of the legitimacy of governance processes and structures since the interests, needs and voices of women are not reflected in decisions and day-to-day life.

Finally, the third argument in favor of diversity insists on feminine socio-psychological features and the contribution that women can make using their greater socio-moral sensitivity. For instance, Tajfel and Turner (1986) and Williams and O'Reilly (1998) argue that homogeneous groups are more cooperative and experience fewer emotional conflicts. Thus, greater gender diversity among board members may generate more opinions, critical questioning and conflicts. While decision-making may then be more time-consuming and perceived as less effective (Lau and Murninghan 1998), the outcomes quite paradoxically may then reflect a greater scope of moral concerns. Another psychologically-grounded rationale relates to the notion of expertise, where femininity allegedly encompasses distinct moral skills and strength of character. For instance, it has been argued that women's experience of motherhood grants them with a heightened sense of morality which contributes to a more responsible and ethical use of power and authority (Sinclair 1998). In contrast typical masculine environments driven by competition, individualism,

[26] For example, the highest female director percentages were retail (11.2%), banking (10.9%) and media (8.7%) whereas sectors comprising the lowest number of female directors were resources (2.6%) and engineering (2.2%).

[27] Of course, this logic, although it recognizes gender differences, tends to stereotypically confine women to traditional spheres and perpetuate masculine domination in the others.

hierarchy and technical outcomes, feminine values are based on mutual empowerment, empathy, accountability and authenticity (Dillard and Reynolds 2008).

Given these arguments in favor of diversity and in the context of a western society deeply inhabited by values of democratic pluralism (Habermas 1996), an observer may naively expect that few voices will publically and explicitly suggest that an increase in the number of women on boards can be detrimental to the proper functioning of the board. Yet such voices are heard in the public arena, their main angle of attack being to suggest that women do not possess the required qualifications to carry out the functions of a board member. For instance, the well-known Canadian financier, businessman and philanthropist Stephen Jarislowsky probably said out loud what a number of people think quietly to themselves when he spoke out against Québec's law on parity. Speaking of women, he said:

> *They have not lived their whole lives in this type of [boardroom] culture […] They come from outside. Something is missing and that is industrial competence (Laroque 2009).*

Hostility towards an increased presence of women on boards manifests itself especially in debates surrounding means to increase their presence and break with the structures of marginalization. In this respect two main schools of thought conflict over the means to empower women. The first one favors a soft approach based on actions that aim to raise awareness in organizations regarding the virtues of nominating women on their boards. This school of thought is supported by a number of men, who fear having to give up their seat to women without a sufficient substantiation of the latter's worth, and a number of women, who prefer to establish their legitimacy on the recognition of merits rather than the coercive power of regulation. However, the ideal of boards' self-regulation, consistent with a market logic, is undermined by the meager results produced until now (Deloitte 2011).

Rather than the gentle method, others would prefer the State affirms its political will via the imposition of quotas. Under public pressures and feminist movements, some countries have already adopted binding regulation (Deloitte 2011). However, regulatory prescriptions have limitations since their implementation depends on interpretation and

enactment by complex and oftentimes unpredictable human beings (Crozier and Friedberg 1977). In particular, gaps may exist between the meanings of the prescriptions as interpreted by agents in the field versus those intended by the original instigators. For instance, Tremblay and Gendron (2011) studied how regulatory prescriptions and best-practice discourse promoting a strengthening of audit committees' work, in the aftermath of the 2001–2002 financial scandals, were received by audit committee members. Their analysis indicates a logic of resistance: prescriptions calling for a strengthening of the audit committee's role are deemed irrelevant while mandatory changes tend to be superficially implemented and do not translate into a significant shift in committee members' ways of thinking and doing. Another example is provided by Kornberger et al.'s (2010) study, which shows that a flexible work policy, established in one of the largest accounting firms, translated in action into a mechanism that actually sustained gender barriers.

I therefore view the interpretation of meaning as an essential element in understanding how agents react, translate and implement corporate governance prescriptions. My objective is to examine how regulatory prescriptions promoting parity on boards of Québec government corporations are received by board members. Board members should not be viewed as docile implementers; they can interpret, accept, reject, ignore or transform the prescriptive claims promulgated in the name of gender diversity. Particular attention will be devoted on the notions of gender and expertise as mobilized by interviewees in making sense of the processes by which affirmative action regulation was implemented in boardrooms.

**Methodology and data collection**

Underlying the data collection and analysis is the aspiration to explore how board members reacted to and made sense of new prescriptive claims, through the examination of interpretive patterns among different flows of experience. As maintained by Patton (2002), qualitative research is most fitting with inquiries into the meanings that people make of their experiences.

The main data collection mechanism employed consists of 32 semi-structured interviews conducted between July 2008 and December 2009 (Table 1). The focus on

Québec state-owned enterprises ensues from the regulation announced in May 2006 and adopted by the National Assembly in December of the same year. While diversity initiatives are being promoted across North America, the Québec provincial government is currently, to my knowledge, the only jurisdiction having regulated such measures. Three board members were personal acquaintances while the others were identified either through snowball procedures or via their corporate website. All individuals contacted with one exception agreed to participate in interviews. As indicated in Table 1, 14 male directors, two governance consultants as well as the Finance Minister and 15 women were interviewed. Collectively, the interviewees represented 11 government organizations. Interview characteristics provided are very constrained in order to protect the anonymity of participants.

[Insert Table 1 around here]

Semi-structured interviews were carried out to allow board members to express themselves according to their own interpretive schemes. Among the most critical issues discussed with participants were their thoughts on the regulation which imposed board parity, including its implementation. On a general level, participants were asked to discuss their views on the under-representation of women on boards, if envisioned as a problem their opinion on various ways of addressing the issue, and the possible impacts of measures put forward. Also, participants were encouraged to discuss their nomination process, reasons for accepting a directorship, their first impressions and the challenges they faced personally and witnessed within the group in light of the legislative quotas as well as their perceived impact in the boardroom. I also enquired about the following: background information on professional career and other board involvement, as well as views regarding board processes and other changes in governance regulation. In the vast majority of the interviews, I let participants discuss these themes extensively, asking from time to time questions consistent with the flow of their thoughts. Before the end of each interview, I made sure that all of the main elements included in the listing of predetermined themes had been covered. The interviews lasted, on average, between 60 and 75 minutes.

Measures to ensure the trustworthiness of the study (Lincoln and Guba 1985) were incorporated from the outset in the interviews. I began each interview by describing the

objective of the research and by introducing an informed consent form, which both the interviewer and interviewee agreed to sign. Specifically, I asked interviewees for permission to tape the interview, while emphasizing that complete anonymity would be provided to them, their current employing organization, and the boards on which they sit. All participants agreed to the taping of their interview.

In representing the data, direct quotes from participants' perceptions and experiences were used to evidence, highlight or illustrate particular findings (Lukka and Modell 2010), and to provide diverse examples of lines of thought used by interviewees to make sense of the new regulation, its implementation and perceived effects. The interview transcripts were stored as text files in QDA Miner, a computerized qualitative analysis tool (Provalis Research 2009). QDA Miner allows for multilevel coding of information collected as well as highlighting and evaluation of important recurring themes. Similar to all social research, I recognize that data analysis is informed by the researcher's own frameworks and interests. This being said, I nonetheless strove to provide a convincing and plausible account that sheds light on the implementation of the new parity prescription within the boardroom.

**Making sense of women's presence on boards**

My interview analysis suggests that board members make sense of the presence of women on boards by addressing the gender issue in two different ways. In the first case, the singular nature of the feminine gender is recognized and mobilized to support the distinctive contribution that femininity can make – or not – to the functioning of boards of directors. One variant of this line of thought emphasizes the distinct "masculine" attributes of a number of women on boards– in that some interviewees perceived that upon their entry into the board arena, women tend to lose their gendered distinction and behave like men. In the second case, the question of gender entirely disappears from the sense-making process. Women are accepted, not because of their feminine qualities, but rather and uniquely for their professional competency. Seen from this perspective, a good director is not primarily viewed as a man or a woman, but as someone who is competent. While positive discrimination policies towards women rest upon a gendered ideal of diversity and equality, a number of directors free themselves from such a notion through its reformulation as a "degenderized" ideal of professionalism.

*Gender on board*

A first line of thought identified to make sense of the presence of women on boards highlight's the distinctive and relevant skills of women. The underlying rationale is that women's different life experiences lead to different ways of thinking as highlighted in the following quotes:

> *Our life experiences [as women] are different, we often have career paths that are not like those of men, and I think that when we walk in the boardroom we bring with us all of these experiences, like a suitcase filled with everything we have done in our lives, including our experiences and our values. I think this is why boardroom diversity is interesting, because we haven't lived the same lives and careers. Interviewee 15 - female*

> *You know, we were born different, men and women are different and we don't think the same way. I am not saying that one is better than the other. It's just different and that is a good thing. That's why it's important to have as many women as men around the table. Interviewee 16 – female*

While the first account is grounded in a nurturing view of feminine expertise and the other reflects a naturalistic assumption, several interviewees originally recognized significant differences between men and women in the reconstructed boardrooms.[28] While not preponderantly among interviewees, positive images of women on boards were mobilized. For instance, the depth of questioning and details demanded by women on boards was seen as a significant asset, contrasting with their masculine counterparts:

> *Women are more analytical, generally speaking than men. For example, discussions will be enriched and prolonged if there are women around the table. You know, I like it, [having women on boards]. Why? Because I truly enjoy getting to the core of a problem and when I am doing that, I find that women help me ask questions. They help me to know better and really understand the issues at stake. They [women] are different but we need both. Interviewee #31- male*

In a relatively similar way, the next quotation emphasizes distinctive qualities that women are seen to bring to the boardroom:

[28] The nature versus nurture debate concerns the relative importance of an individual's innate qualities (naturistic) versus personal experiences (nurturistic) in determining or causing individual differences in physical and behavioral traits. See Donovan (2000) for an in depth discussion on the subject.

*What I am saying is that, usually, women aren't content with superficial answers and go deeper into issues... They need to examine things in depth before feeling comfortable. Interviewee 29 – male*

In opposition to the masculine expertise which allows the person to make decisions resolutely following a sense of intuition and gut feeling, feminine expertise implies more rigor and conscientiousness:

*Women are rigorous. In all business they ask questions. They don't just come and sit there waiting to see if maybe they have an opinion after hearing what others have to say. Women have made their mind, and they say what they think. So I think it's a "plus". Interviewee 3 – female*

These accounts show interviewees perceiving a heightened sense of inquiry as a corollary to diligence and hard work. It was repeatedly claimed that women are more prepared for board meetings:

*I find they [women] are less sloppy, they are more studious, they aren't going to cut corners but instead they ask for things to be more clear and precise. They are more thorough, and less trusting. Some men find them too picky, too nosy... although it can block them for promotions. But this is a good thing [women on boards]. I was born in another generation but I'm OK with it, I think it's wonderful. Interviewee 24 – male*

Consistent with the shifting demands placed on boards in the aftermath of Enron and the recent global financial crisis, where rubberstamping decisions were claimed to be replaced by a greater sense of accountability and diligence (Tremblay and Gendron 2011), a number of interviewees maintained that women tend to play a key role in the transformation and improvement of corporate governance practices. The following quotation associates the presence of women on boards with the reinforcement of holistic thinking and the strengthening of business ethics:

*[Parity] brings a different perspective, a different way of doing things and I think it makes all of us a little but more meticulous, systematic and quick. We [women] can absorb many different things at once compared to men who are more compartmentalized. So it brings a different way of doing things. Maybe a different etiquette around the table, more restraint in the vocabulary, not necessarily protocol but… maybe a heightened sense of ethics and respect. Interviewee 4 – female*

Women's presence is also credited for making it more difficult for the possibility of complacency and inertia to materialize:

> *What I am saying is not scientific, it's just my perception. It's like all of a sudden when there is a mix, people become a little bit more responsible and don't just let things slide and say: "Oh well, he is a good guy". This isn't working anymore. Maybe, and this may be a negative opinion that I have, but when there are only men on a board, it's like, you are on my board, I am on yours and we approve each other's decisions, give ourselves bonuses, it's like we don't talk much about business. We can look back to decisions made and see that the board approved things without questions. It is scandalous that it has taken so long to make people more responsible. I think that before there was this camaraderie when people were all alike. Now with diversity, there is less homogeneity which makes it harder to have this type of camaraderie where we would let big things slide. Interviewee 15 - female*

The above quote resonates with "board life stories" as reported by Huse (2007), who associates the asking of good questions and the courage to ask them with preparation. The important point to retain, though, is that through the articulation of such stories a number of my interviewees were collectively involved in the production of a broader narrative exhibiting the benefits of women's presence in the boardroom. Women who may have been on boards originally as symbolic tokens, or altogether absent, now step into higher organizational spheres to exercise influence – which they otherwise would have been denied. This broader narrative, which is also sustained through academic writings, indicates that women's preparedness and hard work ensues from pressures to avoid glass cliffs (Broadbent and Kirkham 2008; Ryan and Haslam 2007) and prove their worthiness.

Some interviewees suggested that when women find themselves in a position of power surrounded with a masculine culture, they tend to lose their feminine psycho-social qualities and instead behave like men. This line of thought, only evoked by a few male interviewees, is illustrated in the following quote:

> *Mrs Thatcher, I'm not sure that she was any different from a man. I think that unfortunately many women who made it in the world had to fight against or with men, so they react like men; some may be different, surely there must be women who are different. Interviewee 19 – male*

This perception is far from trivial. Saying that a woman in power is led to behave like a man negates the interest of appointing women to corporate governance circles because of

the specific features they bring to the function. This way of thinking implies that women can be trapped in a representation from which they cannot escape. Such views are not constructed in a vacuum; on the contrary, the masculinization of feminine traits and expertise is a theme quite frequently developed in feminist literature. For instance, as observed by Kanter (1993): *"People in power (who are mostly masculine men) mentor, encourage, and advance people who are most like themselves. Not surprisingly then, the handful of women who actually do achieve senior ranks in organizations usually resemble the men in power. They have to identify with and emulate the masculine model in order to progress in the organization"*. Another example of the masculinization of women's expertise is heightened by one interviewee who refers to women as preferring men to be their superior, claiming that women in power are harder (hence more masculine) than their male counterparts:

> *I think that it's the capacity to analyze, not the capacity but the analysis is different, and the guts are different. However, a woman in a powerful position is hard, I think that women are harsher managers, the women I speak to, would rather prefer to have a male boss, the majority of them prefer men. Interviewee 6 – male*

The above quote reinforces the thesis of the "natural" leadership assumed by men, usually represented as assertive, ambitious, dominant, independent, risk taking, with leadership abilities and the ability to make decisions easily (Bern 1974).

Finally, gender on board is sometimes explicitly viewed negatively. A critical line of thought concerning women's expertise is found in the following quotes which point to a deficit in women's skills and competencies as board members. Women's basis of expertise is viewed as being inherently and perhaps irremediably fragile:

> *A typical guy like me, you present me with a solution, I'm 64, I've got experience, the shot is going to go off quick you know « pow » … Men are hunters by nature, we shoot quickly, not always on target but fast. Guys instinctively trust themselves more, they ask less questions. They are less analytical, their schemes are better built. I was on boards, I rarely asked questions, I read like crazy, but I would shut up. Why? I knew the field in which I was. Interviewee 31 – male.*
>
> *In his mind (referring to an individual who publicly opposed board parity) he carries the notion that by saying we need more women on boards, we will name*

*women because they are women even though they are less courageous and competent than men. Interviewee 32- male*

In this section, I have shown how women's inclusion on boards implies taking account of gendered specificities. The lines of thought involved take on several forms. The first and dominant one acknowledges in a positive way the specificity of women, mainly their deeper analytical skills and heightened sense of ethics. The second one recognizes the specificity of women but assumes that their involvement in a masculine environment masculinizes their ways of thinking and doing. The third one implies that women expertise is too fragile and underdeveloped to translate into tangible benefits in the boardroom – on the contrary. As such, my findings imply that gender on board (i.e., the specificity of women being taken into account and acted upon) engenders contradictory attitudes. From a diversity angle, it allows for a consideration of women on boards by positively recognizing the originality of their contributions. Yet their inclusion is sometimes viewed skeptically, even reluctantly. Women therefore need to maneuver in a climate of contradictory pressures – as indicated in the quote below:

*I've seen so many incompetent people on boards, incompetent men. However, as soon as a woman makes a tiny mistake, it always looks worse than if a man had made the same mistake. The first board I was on, I was sitting there and listening to the question being asked by this guy, and I thought to myself "Is this a joke or is this guy serious?", and then this other guy answers him seriously, so I thought "Shit this is it, I have to say something and whatever I say can't be worse than what this guy just said." Interviewee 16 –female*

In the following section, I draw attention to another discourse apparent throughout my interviews where board members accept and make sense of women's presence on boards not in the name of diversity but rather by mobilizing a "degenderized" ideal of professionalism.

*Degenderizing board members*

Embedded in the argument of "degenderized" expertise is an emphasis on the essential sameness of men and women. Degenderizing implies the view that the most competent individuals are invited to join corporate boards, irrespective of gender (Pesonen, Tienari

and Vanhala 2009), and that gender does not make any significant difference in the effectiveness of expertise in action. For example:

> *Because of a number of constraints, the circle of eligible people [as board members] is limited, so when you find someone who is interested, you take this person. I think that what we need on a board is competence, not a label or a skin color. I find this aberrant. I think that competence is what primes; legislation shouldn't say: "We need two blacks, three women and six men." I find this ridiculous. Interviewee 4 – female*

This quotation highlights how qualities sought of board members are distant from the ideas circulated in the initial promotion of board parity where women could by their differences transform the ethics of the organizations in which they served. Reluctant to emphasize typical masculine traits, the qualities required of board members are neither male nor female but rather reframed in the confines of professional expertise. From this viewpoint, change in the boardroom does not imply a shift from male proficiency to female know-how, but rather from male expertise to an androgynous professional skill set. In other words, board effectiveness is not a matter of being a man or a woman but rather a matter of possessing specific knowledge in fields like accountancy, auditing, law, information technologies, insurance and pension funds:

> *I think that it [i.e., regulatory parity] changed the dynamics in the sense that the people now in the boardroom do not necessarily know each other. Because men have established networks if you only have men on the board, they most likely know one another. But because of this legislation we found ourselves a group of women who didn't know each other or the CEO, but you know we were really there for our expertise, and in that sense things have changed. Interviewee 14 – female*

Through such quotations, the problems and pitfalls characterizing traditional masculine boardrooms are redefined as gaps in professional competencies rather than representational gaps or neglect in incorporating feminine qualities of expertise. Gender is evacuated from discourses. For instance, it was envisioned by the following male board members that boards could be solely constituted of women as long as they had the required knowledge:

> *If you're going to replace an incompetent guy by an incompetent woman, you should replace that person by someone who is competent you know, whether*

> *it's a man or a woman. More and more CEOs are women and in five to ten years this piece of legislation won't be necessary because you'll want competent people around the table and as a consequence maybe we'll have 50/50, 60/40, 70, 100 % of women, maybe. Why not? Why wouldn't you have a 100 % female board? If those are the people around the table who are most competent to make decisions and have more skills, then I don't see why not! Interviewee 26 – male*

> *As long as the women who are appointed are competent, I have no problem with it. They can put 100% women or 100% men on boards, I have no problem with it, it's their competence that we're looking for. Interviewee 31 – male*

In contrast to the excerpts mobilized in the previous sub-section, these two quotes promote a disconnection between gender traits and decision-making abilities. From an androgynous viewpoint on expertise, parity legislation made sense to a number of interviewees (but not to others, as suggested by the first quotation at the beginning of this sub-section), allowing the inhibiting effects of structural constraints to be properly addressed:

> *Listen, I think it depends on the individual to start with. I can't, I don't want, I refuse to see a distinction based on sex… I think it's individuals who are different from one another. I can understand why [the Premier of Québec] wanted to pass this regulation, because before we were circumscribed by the boys' club, the old boys' club. We all know how it worked; he was your buddy and so he would get a seat on the board, which didn't leave any room for new people. [Parity legislation] forced the introduction of new people on the board of directors' scene. Interviewee 2 – female*

According to Miller and Rose (1990), the implementation of policy is oftentimes unpredictable. Thus, through the androgynous line of thought emerging from the interviews, the formal requirements of gender diversity are translated into an asexual representation of professional diversity, as illustrated below:

> *I am not necessarily feminist when I say this, but I think that diversity in terms of competency is important to have. It's diversity, whether it be cultural, grounded in competency or on the basis of training. It would be awful to have a board solely made up of lawyers; yes, they may be competent lawyers, but at some point they have their own way of looking at things, contacts, wording, minutes, it becomes very heavy. Interviewee 1 – female*

*Interviewer: Do you see that the women on the boards on which you serve think or act differently than their male counterparts? If so, can you give me an example?*

*Interviewee: This is nonsense. Completely stereotyped. Each person is different. It's not because you have ten women around the table or five women and five men that you won't have different points of view. You could have ten women with completely different points of view, completely different and that's what makes the synergy and the strength of the board. So I don't believe in it [parity legislation], it's good to entertain the population, to send a political message that women are equal to men, but the problem is when around the table there are four incompetent directors, regardless of their sex. Interviewee 26 – male*

The above quotes illustrate how a "degenderized" line of thought does not necessarily translate into support on the need for and appropriateness of board parity legislation. Some interviewees feared the potential consequences of a legislation that would, in the name of parity and diversity, give incompetent women a seat on boards of directors. Yet the key point that I want to emphasize is that degenderizing implies a redefinition of diversity in terms of variety of professional backgrounds rather than sex. From this stance, technical knowledge and sector specialty are revered, without gender demarcation. It is as if gender boundaries no longer matter. As suggested in the following quotes, the focus is placed on the technical expertise of specialists while little importance is given to the "fait féminin":

*I need a lawyer, a chartered accountant, someone with systems knowledge, another in human resources and an actuary. I need five specialists; don't tell me I can't find a woman in each of those specialties. Interviewee 23 - male*

*We didn't have an actuary on the board yet our financial statements are almost solely determined by actuaries who evaluate the indemnities we're going to pay. So we're going to have an actuary on the board, she is a woman, but she is an actuary and that's what we need, her competencies. There is someone else in information technology [on the board]; we already had one but we're going to have two, because we're spending billions in IT, billions of dollars in this so we have a man in there. It's a question of competence and that's the danger of naming people who aren't competent just to follow some rule. That's the danger and if the person isn't competent it's harmful for the entire feminine community. Interviewee 29 – male*

In summary, this sub-section highlights a line of thought that, by focusing on the notion of degenderized competence, allows a number of directors to give meaning to parity legislation and helps them feel comfortable with the increase in the proportion of women

on boards – as long as indications of competence permeate the boards on which they sit. Yet from a critical perspective the androgynous line of thought prompts two important issues. First, the degenderized vision tends to put technical competencies before sensitivity to social justice, as if boards made up of a diversity of professional technicians constitute the pinnacle of effectiveness. Too much emphasis on means and techniques can however be detrimental to the longer-term interests of companies and society (Lyotard 1979; Nussbaum 2010). Second, the notion of competence is inherently ambiguous. Never precisely defined, a number of interviewees relate it to symbols of professional expertise (e.g., legal and accounting designations) and board experience (e.g., the number of boards on which an individual has sat). In contrast, a few interviewees criticize the use of superficial cues of professional competencies. As illustrated in the following excerpt, what matters in the eyes of such interviewees is the ability to break doors and challenge the corporate establishment:

> *They [women] are probably extremely competent people in their field of expertise; it's just that they don't belong around the table, they don't have that kind of expertise, you talk to them about an investment and they don't know the difference between stock and bond. They reply "we should get training" as if that would be enough… We've [i.e., established directors] been doing this for 30 years and we're still learning. An hour-long session would allow them to know a little bit about what we're talking about, not make them specialists. On the other hand, there are women who are fucking good, Christ they're good, they break down doors, and they aren't scared of men whether their name is Henri-Paul Rousseau [previous CEO of the Caisse de dépôt et placements du Québec, an important pension fund] or the pope, they don't give a damn and those women have a right to be there. The fact that they don't have a fucking penis doesn't mean they aren't good. These women didn't get a seat on the board because of some legal obligation; I think that [parity legislation] is a way of coming in through the back door. Interviewee 26 – male*

This excerpt is highly instructive and suggests that the downplaying of gender in favor of a discourse on competencies may be at risk of encouraging masculine domination. That is, we may be confronted to the masculinization of boards through the production of androgynous meaning, as illustrated through the terms used in framing "experience", especially aggressiveness and desire to fight. Further, since men have historically exercised a monopoly in the conduct of business, they alone possess the infamous "30 years of experience". This is somewhat confirmed by a study from McKinsey (2010) which highlights that marked increase in the number of women in terms of education and

professional certification has not translated into a significant increase of their numbers on boards of directors. Simply put, there are today as many women as men, if not more, who know the difference between a share and a Treasury bond. In this sense, the discourse on competence has, to a certain extent, the appearance of a myth serving the masculine domination (Bourdieu 2001).

**Discussion and conclusion**

The aim of this study is to better understand how board members make sense of and interpret the presence of women on boards impacted by affirmative action regulation. Two dominant discourses emerge from interviewees' thoughts. The first recognizes an expertise anchored in women's specificities while the second foregoes the question of gender to advance a disembodied notion of professional expertise. These two discourses can be conceived of as important social referents used by participants to make sense of life and involvement on corporate boards that formally attain gender parity.

Both discourses may in some instances help advance the cause of women or in others promote the enduring of masculine domination. First, while the recognition of the specificity of the feminine gender in terms of expertise may secure women's involvement, women's specific qualities may also be associated with traditional stereotypes that render women vulnerable with regard to their male colleagues' expectations. Second, the emphasis on androgynous professional competencies implies the recognition of women's ability to break the glass ceiling and occupy positions according to their merit. However, it may hinder the achievement of gender equality because androgynous discourses of competencies tend to remove women's skills and interest in moralities from view. My study therefore suggests that each discourse is not characterized with meaning uniformity with regard to the question of parity. Whether the competency discourse or the gender rhetoric is on stage, the risk of marginalizing women is at least as important as the prospect of their promotion.

This study has sought to investigate perceptions regarding the extent to which the order of things was altered in the boardroom following board parity. As such, my analysis highlights the inevitable unpredictability of regulatory efforts (Tremblay and Gendron

2011). The ambiguities of the competency and gender discourses provide significant room for translation and games of power to unfold in the context of boards adapting to formal parity. While government is able to modify through legislation, to some extent, the field's conditions of possibility, no determination is involved since actors possess interpretive abilities, which they use to construct meaning around ongoing events and devise strategies of intervention accordingly (Crozier and Friedberg 1977). In particular, the possibility that masculine domination may come to pervade the field under the guise of gender openness cannot be ruled out. From a research perspective, this leads to the understanding of how the discourse of professional competence or gendering is tied to power, and how individuals or groups can draw on these discourses, as sources of capital, to promote and secure their recognition at the board level. Bourdieusian perspectives may be particularly fruitful to carry out such an examination (Malsch, Gendron and Grazzini 2011).

While the qualitative methodology adopted in this paper does not allow a precise quantification of the degree of influence of the two discourses within boardrooms, the question of ascendancy of one over the other is raised: Is the genderized discourse more influential than the androgynous discourse of technical expertise? This question, while perfectly legitimate, is difficult to address, not only for methodological reasons but also because most interviews reveal incoherencies and significant contradictions in the viewpoints expressed. In a way, there is a degree of schizophrenia or cognitive dissonance in most of the interviewees. This phenomenon, which Archel, Husillos and Spence (2011) have termed "discursive decoupling", is especially evident within each of the following excerpts:

> *I'm more the type of person who thinks that the best person should be nominated to the board... and that this has nothing to do with a question of sex. I don't want to be named on a board because I'm a woman, I want to be on the board because they think I'm the best person for the "job". […] I will be the person who will best complete the group. It may mean that because I'm a woman I can better complete the group, we all know that women approach issues in a very different way than men. Interviewee 3 - female*

> *As long as they give us competent women, I have no problem with it. They can give me 100 % women or 100 % men and I have no problem with it, it's their competence we look at. […] I find women are more structured in the way they analyze things. We see a positive difference. Interviewee 31- male*

Discursive decoupling is apparent in the vast majority of the interviews (88%).[29] While several lines of interpretations can be invoked on the matter, I would like to point out that the extent of discursive decoupling emerging from analysis can be seen as a form of inclination to compromise. In other words, adhering to opposing viewpoints is not necessarily a sign of intellectual weakness, but may reveal the inherent difficulty of reconciling discourses that mutually carry the promise of helping and hindering women's issues and advancement.

Another explanation lies in the possible incongruity between the feminine role and the leadership role which female board members are expected to take. For example, when a woman behaves in close conformity with a typically feminine role, she may be criticized by others as not displaying leadership traits. In contrast, when a woman consciously conforms to the stereotypically perceived role of a masculine board member, she may be viewed as failing in her feminine role through a violation of norms of amiability (Rudman and Glick 2001). As board members, women do not have at their disposal a consistent repertoire of gender displays; their undertaking as board members is very multifaceted in that they are required to manage a set of conflicting expectations.

The toing and froing between the two discourses also resonate with a point developed by Beck (1992), according to whom, inner or psychological mobility increasingly characterizes contemporary life, with individuals having to go back and forth between different worlds, whose opposition and tension lodge in the same locus, that is to say the individual's interpretive schemes. Accordingly, the fact that the most important states of cognitive dissonance were found in the women interviewed is not unforeseen. Quite typically in contemporary society women juggle with several belongings, to the highly meritocratic world of professional work (Abbott 1988), to a western society deeply influenced by the feminist revolution of the 1960s (Peltola, Milkie and Presser 2004), and to their traditional role as pillar of caregiving in the family.

My hope is that this research will promote further exploration of boardroom processes – which too often in research are considered as a black box – not only with

[29] In 28 of the 32 interviews discursive decoupling was detected through cross-referenced coding analysis (Patton 2002).

regard to the role played by women in this locus of influence, but more generally concerning the reproduction of patterns of marginalization within corporate governance circles. In a way, the goal of my manuscript was to question some of the clean images of what affirmative action in boardrooms entails, ending with more questions than answers – hopefully to pursue a dialogue that will leave us dissatisfied with simple explanations and assumptions. My aim, as a researcher, is to use academic work to further public debates with the anticipation of conveying the rich complexity and inherent contradictions of the world in which we live.

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**Table 1 – Interviewee characteristics**

| # | Sex | New Board member | Professional background | Prior Board experience |
|---|---|---|---|---|
| 1 | F | Yes | CA | Yes (1) |
| 2 | F | Yes | CA | Yes (4) |
| 3 | F | Yes | CA | No |
| 4 | F | Yes | Actuary | Yes (5) |
| 5 | M | No | FCA | Yes (1) |
| 6 | M | No | CA | No |
| 7 | M | No | CA | Yes |
| 8 | F | Yes | CA | No |
| 9 | M | No | FCA | Yes (3) |
| 10 | F | No | CA | No |
| 11 | M | No | CA | Yes (1) |
| 12 | M | n/a | Consultant | No |
| 13 | F | Yes | CA | Yes (2) |
| 14 | F | Yes | Project manager | No |
| 15 | F | Yes | CGA | Yes (2) |
| 16 | F | Yes | CA | Yes (2) |
| 17 | F | Yes | Finance | Yes (1) |
| 18 | F | Yes | CA | Yes (4) |
| 19 | M | Yes | Actuary | Yes (1) |
| 20 | F | No | CGA | No |
| 21 | F | Yes | CA | Yes (1) |
| 22 | M | No | Lawyer | Yes (1) |
| 23 | M | Yes | CA | Yes (4) |
| 24 | M | No | Engineer | Yes (3) |
| 25 | M | No | CA | No |
| 26 | M | Yes | CA | Yes (2) |
| 27 | M | Yes | CA | Yes |
| 28 | F | Yes | Lawyer | Yes |
| 29 | M | No | CA | Yes |
| 30 | M | n/a | Finance Minister | No |
| 31 | M | No | CA | No |
| 32 | M | n/a | Consultant | No |

# Conclusion

For many decades, responsibilities have been vastly transferred between traditional government institutions on one hand and private networks engaged in the development and the promotion of expert systems, on the other (Giddens, 1991; Latour, 2004). This transfer of responsibilities has mainly occurred under the quite neoliberal slogan of new public management (NPM) and the alluring promise of higher efficiency resulting from practices used in the private sector. Such a movement has nevertheless prompted reservations from those who worried about the weakening of state power in favor of a creeping privatization of the ideals of public service (Lapsley, 2009).

The three studies composing this thesis 1) pertain to the perceived role of private sector audit committees in times of turbulence, 2) reveal the mechanisms for adoption of draft regulation intended to "modernize" the functioning of government corporations' boards of directors and, 3) analyze the introduction in the public sector of positive discrimination policies in favor of a marked increase of the presence of women in corporate governance circles. As such, they provide a valuable overview of how the transfer of responsibilities from the state to a network of private actors is constructed. I show in particular that most of the ideas sustaining this movement circulate not necessarily because they are inherently powerful but most often become powerful and legitimate through their circulation, perhaps regardless of their substance.

My first article highlights that it would be wrong to blindly assume that "best practices" from the private sector constitute efficiency standards that must be followed in all circumstances. The fact is that best practices are given meaning when they are received, translated and enacted by individuals in the locus of action. Thus, interviews with audit committee members indicate a tendency to resist prescriptions. This logic of resistance is often interpretively grounded in an individualization of failure: the scandals at the origin of new regulatory prescriptions were perpetrated by immoral or incompetent actors, who are viewed as not being representative of their community. Hence there is no perceived need for additional prescriptions. Through the construction of exceptions, impurities are expelled

from view, thereby allowing established ways of thinking and doing to be maintained. My findings also suggest that as a result of being able to see other corporate actors' bodies and listen to them, committee members come to believe that they are gifted at separating the wheat from the chaff, through the skillful detection of cues of immorality and incompetence. Thus, regulation and other prescriptions are viewed as irrelevant in such a context.

My study also highlights one particular feature of trials of strength taking place within the confines of boards of directors: they are secretive in the sense that they occur behind closed doors. Significant resistance to prescriptive calls developed in the backstage of audit committees. Is the invisibility of resistance a concern to regulators, investors and other corporate stakeholders? Presuming that audit committees matter, that they have more than a symbolic role to play in society, then resistance to prescriptive claims widely endorsed in the broader environment constitutes a social concern. The invisibility issue is compounded by the compliance philosophy which currently prevails in the regulatory sphere, where regulators encourage soft forms of regulation in which companies are asked to establish preventive controls within their organizational systems, and in which deterrence is not a priority (Power, 2000). In so doing, regulators (and the public) are largely kept in the dark regarding the extent of resistance towards prescriptive claims taking place in board settings.

Drawing on these findings, it can be argued that the ideology behind the new public management phenomenon promotes a mimetic reproduction of private sector practices which, in the realm of corporate governance, is based upon a double illusion. The first illusion is grounded in the belief that "best practices" are truly and systematically applied in practice. The second illusion stems from the belief that through the promotion of a flexible regulatory approach, the regulated parties (including directors) will more easily be colonized by the spirit of the legislation, as intended by the legislator.

To these two illusions, my second essay adds another which relates to the legislator's superficial grasp on hearings that the legislator paradoxically organizes in order to better understand the issues at stake. My initial intent in this second paper was not to pass a judgment on the appropriateness of the "programme" of corporate governance or the

application of private sector technologies, but rather to understand the process by which such programmes and technologies are translated and adopted. However, by putting light on this process, my study raised critical questions on the making of the law, in which programmes and ideals are embedded. Amongst the critical points raised, I found that network of actors promoting NPM solutions were instrumental in formalizing into law private sector corporate governance ideals and the underlying "illusion of control"[30]. To a great extent the lack of in-depth reflections in the debates surrounding the reform of Québec government corporations' governance was crucial for the illusion to take hold. By avoiding discussions on practical complications, on the experience of others and on the potential consequences (Brunsson, 2006), actors involved in debates demonstrated a lack of interest in seriously gauging practical outcomes. While this may be typical of the literature which views policy-makers aggressively adopting strategies to persuade audiences of the validity of some new legislation (Røvik, 1996), I question the likelihood of legislation, established through superficial debates, to produce genuine transformations in a public sector setting. Overall, my interpretations concur with accounts from a range of countries where NPM reforms have a longer history and where some criticism has been voiced (Parker and Gould, 1999; Hood and Peters 2004; Hood, 2007; Lapsley, 2009). Intentions and implications in adopting market modes of governance are underpinned by the unsubstantiated, illusory belief that best value for money can be secured through reliance on seemingly neutral financial controls, accounting and auditing technologies.

Finally, my last critical study also contributes to cast a shadow on the regulator's ability to engender change, even when being driven by progressive forces that contrast with a capitalist and financial conservatism. The aim of my study was to better understand how board members made sense of and interpreted the presence of women on boards impacted by affirmative action regulation. Two discourses emerged from interviewees' thoughts. The first recognized an expertise anchored in women's specificities while the second ignored the question of gender to advance a disembodied notion of professional expertise. These two discourses can be conceived of as important social referents used by participants to make sense of life and involvement on corporate boards that formally attain gender parity.

[30] The illusion of control is the tendency to overestimate the ability to control events and outcomes.

Both discourses may in some instances help advance the cause of women yet in others promote the enduring of masculine domination. First, while the recognition of the specificity of feminine gender in terms of expertise may secure women's involvement, women's specific qualities may also be associated with traditional stereotypes that render women vulnerable with regard to their male colleagues' expectations. Second, the emphasis on women's professional competencies implies the recognition of women's ability to break the glass ceiling and occupy positions according to their merit. However, this may hinder the achievement of gender equality because androgynous discourses of competencies tend to remove from view women's skills and interest in moralities. My study therefore suggests that each discourse is not characterized with meaning uniformity with regard to the question of parity. Whether the competency discourse or the gender rhetoric is on stage, the risk of marginalizing women is at least as important as the prospect of their promotion. Thus, while government is able to modify through legislation, to some extent, the field's conditions of possibility, we should not illusion ourselves into believing that regulation in itself is determinant as actors possess interpretive abilities, which they use to construct meaning around ongoing events and devise strategies of intervention accordingly (Crozier and Friedberg 1977).

As I conclude this thesis, the illusions and unease that my papers have brought to the forefront regarding the legislator's ability to impose change and the myth of "good practices" within the private sector, as real as they may be, should not lead the reader to pessimism or despair; to the contrary, they should act as a key warning against regulatory solutions and simplistic policies in an increasingly complex environment. Regulation as a means to cure the ailments of our times is a complex and unpredictable issue, especially when enforcement is considered. These illusions and unease also shed doubt on the increasing role played by various experts who, on the pretext of this increasing complexity, have invested the legislative arena without restraint, claiming that only through their expertise can democratic control be achieved. While in denouncing these illusions I aim to prevent collective naive optimism from developing, I nevertheless believe that there is some reason for hope – if substance and insights come to prevail over superficialities and illusions. In this regard, the current global financial crisis certainly constitutes an important opportunity to question the public sector and legislative measures' obsessive alignment

with a private system built on ideas that have led many countries to social unrest and economic fragility. Times of crisis could be opportunities to question the cultural biases and traditional alliances that may promote inertia tendencies within corporate governance circles. Rather than symbolic and prescribed changes, tensions can lead to innovation and creative problem-solving for the benefit of our society.

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