Organisations in the Australian disability sector have new regulatory pressures challenging their governance structures. Increasing levels of political, economic and social pressure means that membership of third sector boards is poised to become less attractive to both current and future incumbents. Non-executive directors, considered social elites, may utilise their experience, skills, education and networks to enact strategic cognition as a form of symbolic power (Bourdieu 1989) based around cultural and social capital, utilising networks known as director interlocks. Strategic cognition (Narayanan, Zane & Kemmerer 2011), learned and developed by directors involved in the governance of organisations, is seen as an advantage when directors are being appointed to boards.

Strategic cognition becomes contentious (Bourdieu 1989) when the benefit gained by the individual director serving as a volunteer non-executive director is greater than the potential benefits accrued to the third sector organisation. The reasons for this are explored in terms of fields, the space between the fields of commercial and non-profit sectors which begins to blur with the movement of directors between the two; capital in its different forms as it moves across the space between these fields; and ‘habitus’ (Wacquant 2011) as it advantages a socially elite group wishing to fulfil their personal agendas.

There is a high probability that disability third sector organisations will continue to follow an alternate strategic business and governance model and process to that followed in the commercial sector (Cornforth 2001, 2012; Cornforth & Edwards 1999). Conventional commercial strategic thinking (Bonn 2001; Jarratt & Stiles 2010; Moon 2013; Narayanan, Zane & Kemmerer 2011) is questioned as a valuable form of cultural and social capital that is easily applied in the third sector.

If there is such a significant value in terms of directors learning between the commercial and third sector fields then the attraction to non-executive directors of sitting voluntarily on third sector boards remains unclear.
Introduction

The Australian disability sector is the current research focus due to environmental pressures on the governance structures. The Australian National Disability Insurance Scheme (NDIS) was introduced to fund lifestyle requirements of disabled people in Australia. Previously this funding was provided to disability organisations that essentially decided the care available to its disabled clients (Soldatic & Pini 2012). Under the NDIS these disabled clients now start to control the funding stream previously provided to disability organisations by state and federal governments.

The challenge faced by the boards of disability organisations is that they are now in the position of courting the disabled to provide the services which will then be paid for instead of dispensing services directly to the disabled. This customer orientation change in organisations’ focus drives considerable pressures on the current boards to reframe the strategic emphasis of the organisations from essentially a paternalistic to a more market oriented perspective (Sanders 2013).

Given the increasing level of political, economic and social pressures, the role of third sector non-executive directors, undertaken voluntarily and unremunerated, is poised to become less attractive. Understanding the relationship between volunteering for one of these roles and the symbolic, career or social capital this provides to the individual (Greenspan 2013) means that board roles in the third sector become more feasible for both the director and the organisation when understanding the potential rewards that accrue to the individual director.

These individual rewards are complex, given the link between personal perspectives and the extrinsic or intrinsic nature of the rewards (Raelin & Bondy 2013). Individual rewards may be based on a well-developed sense of social service, career development, passion to understand more about the sector in which the organisation operates, or an identity (Hillman, Nicholson & Shropshire 2008) or habitus (Wacquant 2011) for which being seen to be doing ‘good’ in society is important. For others, personal reasons could be mainly extrinsic for longer term recognition in profiling for appointment to commercial boards, social rewards and public recognition such as the Australian awards granted annually to recognise the contribution of Australians in society.
I have chosen to research the multiple rewards attracting non-executive directors to serve on third sector boards in this time of significant change. This study is of non-executive directors serving on disability organisation boards where the introduction of the NDIS is creating disruptive organisational change which may cause these voluntary directors to reconsider their commitments.

The third and commercial sectors: Business models, governance and strategy

Sectors as fields, and the spaces between them

Bourdieu and Wacquant (1992:97) offer as a definition of field as ‘a network, or configuration, of objective relations between positions’. Fields are seen to be social arenas for struggles over capital (refer to discussion of capital below). Fields are structured social phenomena and will generally develop an identity ‘in opposition to others that they be situated within this broader arena of opposing relations’ (Schwartz 2013,p.27). The assumption that the third sector and commercial sector are very different social spaces, or fields, allows the complexities between the two different arenas to be unpacked.

Eyal (2013, p.158) seeks to evaluate if there are what is termed ‘spaces between fields’ to better understand phenomena that cross over ‘entities, proper names, concrete individuals and things’ to grasp fields as identifying sets of relationships. This assists knowledge of what is occurring in the current research as accepting that the commercial and third sectors exist as distinct fields in terms of the types of relationships that exist.

This means the space between the two, ‘would have to be analyzed as a function of the struggles taking place in the spaces between them and the mechanisms set up in the spaces between them’(Eyal 2013, p.159). The discussion below explores the possibility of understanding the space between the fields of the commercial and third sector fields in the Australian context as directors pass between these two fields utilising strategic cognition as the capital to access elite positions within society, both in commercial and third sector social spheres.
Business and governance models as fields

Business models
The term ‘business model’ has become a widely used strategic concept (Spector 2013, p.28). Business models as a construct of an organisation is directed at the unique and sustainable competitive advantage that can be achieved by an organisation relative to other organisations in the same industry (deWit & Meyer 2010). Dominant business models tend to operate in industries due to environmental factors dictating the constraints placed on organisations, and yet each organisational business model needs to have distinct characteristics that allow it to sustain some form of competitive advantage.

Business models in the commercial sector are dominated by a profit orientation and shareholder value, produced by systems both internal and external to the organisation (Coule 2013). The social expectations and constraints placed on third sector organisations however means that their business models are usually driven by other considerations, and are generally described as being ‘mission driven’ (Sosin 2012). This divide is not simplistic in the case of disability organisations in Australia currently grappling with the introduction of the NDIS. The complexity of the changes in third sector business models, to somewhere that is a hybrid version, means the drive for a market orientation and the social expectations of the business models needs joint consideration, creating a tension at both organisational and industry level.

Spector argues (2013) that business models in general, including commercial ones, ignore the social embeddedness of the industry analysis undertaken, both internally and externally to the organisation. He argues that conventional business models miss the rich decision-making that social capital provides in understanding the relationships that make up the actual business model of organisations.

In the case of Australian disability organisations, simply surrendering to the mimetic forces of commercialisation and shareholder models (Greenwood & Hinings 1996) cannot occur with the pressures for social outcomes aligned to the organisational identities (Sosin 2012). This argument will developed next in terms of the corporate governance models and overall strategies that apply in conjunction with the differentiated business models presented here.
Governance models

Stewardship versus agency perspectives

There are alternate models that are seen to apply to the corporate governance of commercial and non-profit organisations. Agency theory is broadly applicable to commercial organisations while a broader stakeholder perspective is understood to apply in the third sector (Coule 2013).

Agency theory, in the governance context, is concerned the relationship of the principal and agent, resolving problems of agency relationships.

… the agency problem that arises when (a) the desires or goals of the principal and agent conflict and (b) it is difficult or expensive for the principal to verify what the agent is actually doing. The problem here is that the principal cannot verify that the agent has behaved appropriately (Eisenhardt 1989, p.58).

The assumption of this model becomes that the agent (director) will act to reduce the level of risk to individual reputation if a conflict emerges between the principal and the agent.

However, stewardship theory (Barney 1990) assumes principals and agents either share interests (Sundaramurthy & Lewis 2003) or that `managers are not motivated by individual goals, but rather are stewards whose motives are aligned with the objectives of their principals' (Davis, Schoorman & Donaldson 1997, p.21). While this distinction in governance models is often challenged as not recognising the complexities of stakeholder relations (Coule 2013) it highlights again the differences in the commercial and non-profit models which challenge the view that directors are easily able to shift between the two sectors without any evident paradox, or difficulties.

Strategic versus operational perspectives

Directors in the third sector are considered unique for a variety of reasons (Cornforth 2012). One reason given for this uniqueness is the experience and knowledge required by the third sector boards on which they serve. Non-profit directors are seen
often to take a more operational perspective, delving more into the day-to-day issues than their counterparts in the commercial sector. Steane and Christie (2001, p.50) conclude that ‘…directors on non-profit boards deliberate and operate in ways distinctive from their corporate counterparts’.

The broader literature on directors contradicts this operational view, suggesting the need for, and importance of, a more strategic perspective for all directors, regardless of the context in which they find themselves (Bonn & Pettigrew 2009; Coulson-Thomas 2009). There are therefore contradictory views on the role of directors in the third sector in terms of the importance of strategic competence.

The move to a market orientation by disability organisations, resulting from the NDIS legislation in Australia, may resolve this debate in the disability sector context in support for the latter, more strategic, perspective (Sanders 2013). Among the changes taking place in these organisations is the shift to directors with more readily recognised commercial skills, such as strategic competence. Such a shift begs the question as to how these boards might deal effectively with the rapid change and strategic shifts, unless they can attract and retain directors with this particular competency. Appointment to director roles may, by necessity, in future tend to ignore the multiple stakeholders retaining a presence on disability organisation boards.

**Networks viewed as fields in which social cognition capital is ‘traded’**

Directors function in sets of networks that operate as social and organisational linkages (Moore et al. 2002; Narayanan, Zane & Kemmerer 2011), and are termed board or director interlocks. Alexander defines the concept of interlocks as ‘linkages between corporations’(2003, p.230) and this is extended to directors to indicate the connections between directors, mainly on different boards. Director interlock research maps relationships between individuals on boards and in Australia these have been investigated and well documented in the commercial sector. (Alexander 2003; Kiel & Nicholson 2006; Murray 2001; Roy, Fox & Hamilton 1994; Stapledon & Lawrence 1996; Stevenson & Radin 2009; Vidovich & Currie 2012). This is not the case in the Australian third sector where, as elsewhere, interlocks relating to third sector directors have not been researched.
Company, board, and director interlocks trace membership of corporate or social networks to assess the strength of various linkages around these interlocks (Maman 2000; Mizruchi 1996; Molm 2001; Murray 2001; Nicholson, Alexander & Kiel 2004). Due to economic and social factors in Australia, corporate directorship is concentrated in a smaller number of directors than may be the case in other western countries (Alexander 2003; Murray 2001; Stapledon & Lawrence 1996; Vidovich & Currie 2012). The ‘self-organisation of the system’ operates both in corporate and personal circumstances when board members are recruited and appointed (Alexander 2003).

It is suggested that various `soft’ concepts such as cognition and personality add to the understanding on networks. Individual abilities and understanding of networking may play a substantial role in the relative power and prestige of particular networks (Kilduff & Tsai 2007). For example the Australian Institute of Company Directors (AICD) and its professional qualifications, is a prestigious network as it has strong linkages to the commercial boards where the position of company director is well remunerated. The talent to utilise “business contacts” to gain board appointment highlights the requirement for a capacity to develop networks, at least during the initial phase of gaining a directorship (Maman 2000; Sheridan 2002, p. 206). This means that board directors must display the characteristics of someone who can develop and maintain strong interpersonal relationships and networks.

Membership of networks, either to gain directorship or to continue to develop a career as a director, requires networking skills and capabilities (Cornish 2009; Stevenson & Radin 2009). The ability to display networking skills both before and after obtaining a position as a non-executive director is also seen as essential to the development of social capital (Kim, Y & Cannella, A 2008).

Appointments to the Australian third sector occur mostly within social networks in the third sector since this is where motivation or “passion” and opportunity intersect for both the individual and the organisation (Lyons, McGregor-Lowndes & O'Donoghue 2006). Appointments are mostly determined by the societal affiliation of the board with the individual, via an exclusive set of acquainted connections operating in networks. This is similar to what happens in board interlocks in the commercial sector.
The link between network activity, and social capital development in third sector directors has not yet received attention in terms of research other than in the area of gender composition of boards (Women on Boards 2012). Why these highly qualified, experienced and powerful individuals choose to serve mostly in a voluntary way on third sector boards is not well understood.

**Strategic thinking and cognition viewed as ‘capital’**

Strategic competency, generally referred to in the strategy-as-practice literature as strategic cognition, relates to experience at senior organisational, generally CEO, level (Narayanan, Zane & Kemmerer 2011). This specific capability of strategic cognition, developed by directors in their roles when having to make sense of complex environmental problems, can be seen as a form of symbolic cultural and social capital (Bourdieu 1989).

When individuals face equivocal sets of events or facts, they endeavour to make sense of them (Weick 2001). According to cognitive theory, individuals construct meaning and make sense by building mental representations that guide their thinking and the direction of their decisions (deWit & Meyer 2010; Mintzberg, Ahlstrand & Lampel 2009; Weick, Sutcliffe & Obstfeld 2005).

Research on representational systems has investigated cognitive concepts such as schemas (Nadkarni & Narayanan 2007), frames (Hodgkinson et al. 1999; Huff & Eden 2009), scripts or stories (Ogilvy, Nonaka & Konno 2014) and cognitive maps (Hodgkinson 2002, 2003). These concepts overlap and are often used interchangeably to form, organise, interpret patterns from the large amount of data presented in organisational settings and thereafter to guide action (Weick, 1979). These representational systems structure the environment and define what is important to decision-makers and act as perceptual filters to sift and rank environmental factors that require action. In “enacting” their environments the representational systems become subjective, rather than objective, thus influencing development of managerial and organisational meaning (Weick, Sutcliffe & Obstfeld 2005).

The literature and empirical research on strategic cognition has been developed by Narayanan, Zane and Kemmerer (2011) into a proposed model for research into this
emerging area of strategic cognition research. The “strategy frames” are expanded to include: ‘“cognitive maps”, also referred to as “cognitive schemata”, “mental models”, “knowledge structures” and “construed reality” (deWit & Meyer 2010, p.31). This model will be utilised to frame discussions with research participants on how they view strategic cognition helps them learn the different business models they encounter.

Narayanan, Zane and Kemmerer (2011) indicate several areas for further theoretical and empirical research to deepen understanding of social cognition. The area of group or shared cognition remain ‘confusing’ in terms of the ‘antecedents and outcomes of cognitive diversity’ (Narayanan, Zane & Kemmerer 2011, p.337). Intuition and creativity in decision-making remains elusive in terms of research. Also, ‘strategic change, organizational learning, and routines are areas that cry out for theoretical and empirical works, given the current paucity’ (Narayanan, Zane & Kemmerer 2011, p.337).

Described as ‘theoretical puzzles’ the areas of strategic frame breaking and the link between behavioural and cognitive change under certain conditions also remains unclear (Narayanan, Zane & Kemmerer 2011, p.338). Understanding how directors on both third sector and commercial board use strategic cognition in different strategic contexts may start to explain how these puzzles and managed behaviourally.

Finally the assumption tends to be that strategists and organisations operate with a single unitary identity and a more insightful understanding of social cognition may be produced if ‘by adopting a position that we can only get a partial glimpse of strategic frames or identity, and these glimpses are context dependant and purpose driven challenged’ (Narayanan, Zane & Kemmerer 2011p.338)

**Director networks as contentious fields of capital development and exchange**

Director networks provide opportunities for directors to access ‘external’ or bridging social capital development. These networks also provide opportunities for exerting influence ‘...members of the upper echelons spend much of their time building communication and influence networks through which they acquire and deliver information and knowledge, and exert influence to extract valuable resources from the external environment’ (Kim, Y & Cannella, A 2008, p. 290).
The level of connectedness and embeddedness of non-executive director networks in Australian third sector organisations, particularly in terms of the explanations as to how those networks support the development of social and individual capital, is essential to the current research (Adler & Kwon 2002). Understanding how individuals develop, invoke and apply forms of personal capital during their experiences as board members serving voluntarily on disability boards in Australia provide a link to individual agendas.

Bourdieu challenged the dominant use of the term “capital”. His, and indeed those who continue to research his forms of capital (cultural and social) realise the value of looking more broadly to understand the underlying processes occurring within society. The study of capital in its various social forms provides a “picture” of the social world not based purely in economic terms and less than complete chaos and ‘what makes the games of society- not least the economic game- something other than simple games of chance offering every moment the possibility of a miracle’ (Bourdieu 2011, p.78).

Bourdieu (2011, p.78) suggests that:

Capital is accumulated labor (in its materialized form or its “incorporated” embodied form) that when appropriated on a private, that is exclusive basis, by agents of groups of agents, enables them to appropriate social energy in the form of reified or living labor.

Agents, or directors, taking this broader definition into account, can during the course of their social and working life and experiences, develop both individual and organisational (reified), or group, capital (Bourdieu 2011). Not only can they develop this capital individually but this is social energy in the form of human endeavour or labour seen as not only an innate force but almost as innate law and ‘…the principle underlying the immanent regularities of the social world’ (Bourdieu 2011, p.78). He thus suggests this purposeful engagement with opportunities to develop both individual and group capital lies at the heart of social engagement.

Requiring strategic competence for directors in the third sector therefore invokes an entry barrier to these positions, when in fact a more operational or alternate perspective may be equally valuable (Steane & Christie 2001). Given that third
sector directors are also volunteers (Women on Boards 2012) it would seem counterintuitive to exclude any groups of directors from these roles.

**Social capital**

Kim and Cannella (2008) define the concept of power elites as invoking ‘social capital’. This term is used to describe not only the relationships between directors, but also the resources that arise because of those relationships. Such resources in the third sector context are likely to include financial or fundraising resources (Kim, Y & Cannella, AA 2008, p. 289). It is generally accepted that directors develop forms of capital, and in particular social capital.

It has been suggested, in the context of social capital that the social relations that are seen to develop either external (bridging) or internal (bonding) linkages (Adler & Kwon 2002; Leonard & Onyx 2003; Patulny & Svendsen 2007; Woolcock & Narayan 2000). Social capital that is seen as ‘bridging’ provides explanation as to the relative success of either individuals or particular firms as a result of their external ties which are ‘direct and indirect links to other actors in social networks’ (Adler & Kwon 2002, p.19). ‘Bonding’ social capital emphasises the strengthening of collectivities through the strong internal ties, reflected by actors’ internal characteristics, developed within a particular network in some type of collective arrangement (Adler & Kwon 2002).

The debates that directors are not able to invoke both bridging and bonding social capital have largely been dismissed (Kim, Y & Cannella, A 2008). However this categorisation of social capital is useful when looking at the director interlocks as representing bridging social capital, with bonding social capital emerging as part of board of director relationship. Development of both types of social capital is a possible reward for volunteer directors.

Analysing both bridging and bonding social capital measurement into a context, such as the adaptive learning processes required to develop social capital, allows for a ‘fine-grained picture of the implications of social capital among corporate directors’(Kim, Y & Cannella, A 2008, p.290).
Social constructivist methodology

This research follows the approach to social constructionist research applied by Bourdieu (1977), who believes that the social world is governed by symbolic violence, which takes the form of taken-for-granted classifications and categorizations, he sees his sociology as one of exposing that important dimension of social life for what it is- an expression of power and domination. He wants to make sociology critical but not theoreticist, empirical but not positivist, and more relational and reflexive. He wishes to build up the intellectual and scientific legitimacy of sociology by protecting and increasing its autonomy from external political, economic, cultural, and social forms. (Schwartz 2013, p. 25).

Semi-structured interviews with questions that allow participants to tell their own stories and construct meaning from situations are utilised (Creswell 2003) Semi-structured interviews allow the interviewer to begin with some loosely defined questions and allowed for a more ‘conversational’ form so that answers flow normally and questions can appear as part of a discussion. A semi-structured format also allows for the development of interesting themes as they (Bhandari & Yasunoba 2009; Kvale 2009; O’Leary 2010).

Strategic cognition, director learning, personal factors and networks related to the role of these directors, were the main themes explored in the interviews (Baets 2006; Koch, Galaskiewicz & Pierson 2014; Narayanan, Zane & Kemmerer 2011).

Habitus of directors

Social construction allows for the discussion of Bourdieu’s third major pillar of research. The concept of habitus `is also the tool of investigation: the practical acquisition of those dispositions by the analyst serves as technical vehicle for better penetrating their social production and assembly’ (Wacquant 2011, p.82).

The concept of habitus proposes that ‘human agents are historical animals who carry within their bodies acquired sensibilities and categories that are the sedimented products of their past social experiences’ (Wacquant 2011,p.82) and has specific characteristics being:
• habitus is a set *acquired* dispositions,
• habitus holds that practical mastery operates *beneath the level of
conscousness and discourse*,
• habitus indicates that sets of dispositions *vary by social location and
trajectory*:
• that the socially constituted conative and cognitive structures that make up
habiutus are malleable and transmissible because they result from *pedagogical
work*.

Habitus will be utilised as the tool to analyse the findings on the personal factors of
directors and how they construct their reasoning to be involved in third sector
organisation boards voluntarily.

**Participant recruitment**

The preferred method to access elites for interview is a direct contact with their
organisations. This is encouraged by Sheridan (2001) who states that in her
research on gender issues relating to appointment of non-executive directors in for-
profit organisations, that this method provided surprisingly good results. Stiles and
Taylor’s (2001) work supports the use of an interview as the preferred data gathering
tool by elite groups of company directors. They indicate also that directors resist
completing questionnaires. Having reviewed the major research projects on
company directors from 1971 to 1999, Stiles and Taylor (2001) advocated the
preference of this group primarily for interviewing, rather than any form of surveying
such as questionnaires.

My initial contact with directors was through the chairperson of each organisation in
the first instance. This means careful negotiation with these directors to ensure trust
is established since they are in a position to protect themselves from ‘intrusion and
criticism’ (Mikecz 2012, p.483)

**Preliminary findings**

While the data is still currently being gathered there are some clear themes emerging
from the interviews as follow.
First, director networks are highly embedded in the third sector and are particularly important in times of change, such as is currently occurring in the disability sector. It is evident that these networks are utilised very differently by various groups in the disability sector. As the changes to the disability sector gain pace, networks of disability organisations are seizing the opportunity to extend their previously less formal relationships to develop closer strategic alliances and small networks based around key competence where organisations’ capabilities are able to be shared. Many small disability organisations are bin talks to merge with larger disability organisations.

Second, there are possibly different business model perspectives required in the third sector, although the process of strategic thinking is not seen as necessarily different, ‘Strategy is strategy’! This would seem to support an argument that there is nothing contested between the two fields of the third and commercial sector. However the alternate view is that understanding the strategies of third sector organisation can include opportunities for development of extended strategic cognition to include broader stakeholder perspectives.

Third, the information on personal rewards, given that rewards are deeply embedded in each participant’s unconscious world, is proving complex, particularly in terms of open societal rewards. Traditionally non-executive directors on third sector boards related to their individual orientation and interests in the particular service area related to the third sector organisation. However the link appears to be broken to a certain extent when interviewing directors with strategic skills who wish to develop this capacity in a variety of contexts.
Conclusion

The capacity of individuals to distinguish between the very different social outcomes and contexts of the third sector from those in the commercial sector remains the challenge for the third sector boards and the individuals who serve on them. In addition, the challenge is to shift seamlessly from one context to another, when individuals serve on third sector boards at the same time as being a commercial director. When this is achieved the rewards to the individual in terms of the development of their personal capital may be significant. Defining the nature of these rewards as they link to different forms of capital will improve knowledge of the contributions to social outcomes of this group of directors.

The context in which the disability organisations in Australia find themselves, and the strategic shifts emerging as their business models change rapidly, provides an opportunity to explore why some directors might appear to offer less value to these organisations than those who occupy a more symbolically powerful position within society as directors in the commercial world. The strategic learning that takes place by directors on third sector boards, focusing on whether strategic cognition as a form of symbolic cultural capital is portable across different business models and sectors, will continue to be explored in the future.
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